

HEARING

Y 4.AR 5/2 A:2003-2004/6

NATIONAL DEFENSE AUTHORIZATION ACT
FOR FISCAL YEAR 2004—H.R. 1588

AND

OVERSIGHT OF PREVIOUSLY AUTHORIZED
PROGRAMS

BEFORE THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

TOTAL FORCE SUBCOMMITTEE HEARINGS

ON

**TITLE IV—MILITARY PERSONNEL
AUTHORIZATIONS**

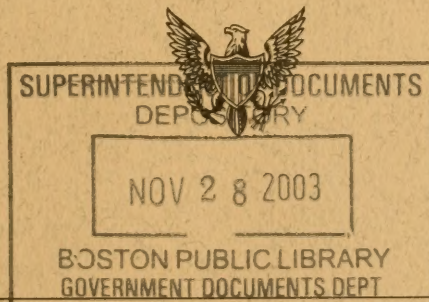
TITLE V—MILITARY PERSONNEL POLICY

**TITLE VI—COMPENSATION AND OTHER
PERSONNEL BENEFITS**

TITLE VII—HEALTH CARE PROVISIONS

HEARING HELD

MARCH 12, 13, 19, 27, APRIL 1, 2, and 3, 2003



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MARCH 12, 13, 19, 27, APRIL 1, 2, and 3, 2003



U.S. GOVERNMENT PRINTING OFFICE

88-958

WASHINGTON : 2003

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[There were no Documents submitted.]

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[There were no Questions submitted.]

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DOCUMENTS SUBMITTED FOR THE RECORD:

[There were no Documents submitted.]

QUESTIONS AND ANSWERS SUBMITTED FOR THE RECORD:

[There were no Questions submitted.]

H. R. 1588

To authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal year 2004, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 3, 2003

MR. HUNTER (for himself and Mr. SKELTON) (both by request) introduced the following bill; which was referred to the Committee on Armed Services

A BILL

To authorize appropriations for fiscal year 2004 for military activities of the Department of Defense, to prescribe military personnel strengths for fiscal year 2004, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “National Defense Authorization Act for Fiscal Year 2004”.

* * * * *

TITLE IV—MILITARY PERSONNEL AUTHORIZATIONS

Subtitle A—Active Forces

SEC. 401. END STRENGTHS FOR ACTIVE FORCES.

The Armed Forces are authorized strengths for active duty personnel as of September 30, 2004, as follows:

- (1) The Army, 480,000.
- (2) The Navy, 373,800.
- (3) The Marine Corps, 175,000.
- (4) The Air Force, 359,300.

Subtitle B—Reserve Forces

SEC. 411. END STRENGTHS FOR SELECTED RESERVE.

(a) IN GENERAL.—The Armed Forces are authorized strengths for Selected Reserve personnel of the reserve components as of September 30, 2004, as follows:

- (1) The Army National Guard of the United States, 350,000.
- (2) The Army Reserve, 205,000.
- (3) The Naval Reserve, 85,900.
- (4) The Marine Corps Reserve, 39,600.
- (5) The Air National Guard of the United States, 107,000.
- (6) The Air Force Reserve, 75,800.

(7) The Coast Guard Reserve, 10,000.

(b) ADJUSTMENTS.—The end strengths prescribed by subsection (a) for the Selected Reserve of any reserve component shall be proportionately reduced by—

(1) the total authorized strength of units organized to serve as units of the Selected Reserve of such component which are on active duty (other than for training) at the end of the fiscal year; and

(2) the total number of individual members not in units organized to serve as units of the Selected Reserve of such component who are on active duty (other than for training or for unsatisfactory participation in training) without their consent at the end of the fiscal year.

Whenever such units or such individual members are released from active duty during any fiscal year, the end strength prescribed for such fiscal year for the Selected Reserve of such reserve component shall be increased proportionately by the total authorized strengths of such units and by the total number of such individual members.

SEC. 412. END STRENGTHS FOR RESERVES ON ACTIVE DUTY IN SUPPORT OF THE RESERVES.

Within the end strengths prescribed in section 411(a), the reserve components of the Armed Forces are authorized, as of September 30, 2004, the following number of Reserves to be serving on full-time active duty or, in the case of members of the National Guard, full-time National Guard duty for the purpose of organizing, administering, recruiting, instructing, or training the reserve components:

(1) The Army National Guard of the United States, 25,386.

(2) The Army Reserve, 14,374.

(3) The Naval Reserve, 14,384.

(4) The Marine Corps Reserve, 2,261.

(5) The Air National Guard of the United States, 12,140.

(6) The Air Force Reserve, 1,660.

SEC. 413. END STRENGTHS FOR MILITARY TECHNICIANS (DUAL STATUS).

The Reserve Components of the Army and the Air Force are authorized strengths for military technicians (dual status) as of September 30, 2004, as follows:

(1) For the Army Reserve, 6,699.

(2) For the Army National Guard of the United States, 24,589.

(3) For the Air Force Reserve, 9,991.

(4) For the Air National Guard of the United States, 22,806.

SEC. 414. FISCAL YEAR 2004 LIMITATION ON NUMBER OF NON-DUAL STATUS TECHNICIANS.

The number of civilian employees who are non-dual status technicians of a reserve component of the Army or Air Force as of September 30, 2004, may not exceed the following:

(1) For the Army Reserve, 895.

(2) For the Army National Guard of the United States, 1,600.

(3) For the Air Force Reserve, 90.

(4) For the Air National Guard of the United States, 350.

TITLE V—MILITARY PERSONNEL POLICY

Subtitle A—Officer Personnel Policy

SEC. 501. REPEAL OF PROHIBITION AGAINST REGULAR NAVY OFFICERS TRANSFERRING BETWEEN LINE AND STAFF CORPS IN GRADES ABOVE LIEUTENANT COMMANDER.

(a) REPEAL.—Section 5582 of title 10, United States Code, is repealed.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 539 of such title is amended by striking the item relating to section 5582.

SEC. 502. RETENTION OF OFFICERS SERVING IN HEALTH PROFESSIONS TO FULFILL ACTIVE DUTY SERVICE COMMITMENTS FOLLOWING PROMOTION NON-SELECTION.

(a) IN GENERAL.—Subsection (a) of section 632 of title 10, United States Code, is amended—

(1) by striking “or” at the end of paragraph (2);

(2) by striking the period at the end of paragraph (3) and inserting “; or”; and

(3) by adding at the end the following new paragraph:

“(4) if on the date on which he is to be discharged under paragraph (1) a medical officer or dental officer or an officer appointed in a medical skill other than as a medical officer or dental officer (as defined in regulations prescribed by the Secretary of Defense) has yet to complete a period of active duty service

obligation incurred under section 2005, 2114, 2123, or 2603 of this title, he shall be retained on active duty until completion of such service obligation, unless the Secretary concerned determines that completion of the active duty obligation is not in the best interest of the military department.”.

(b) TECHNICAL AMENDMENT.—Such subsection is further amended by striking “clause (1)” in paragraph (3) and inserting “paragraph (1)”.

SEC. 503. REQUIREMENT OF EXEMPLARY CONDUCT.

(a) IN GENERAL.—Chapter 3 of title 10, United States Code, is amended by inserting after section 121 the following new section:

“§ 121a. Requirement of exemplary conduct

“All commanding officers and others in authority in the Department of Defense are required—

“(1) to show in themselves a good example of virtue, honor, patriotism, and subordination;

“(2) to be vigilant in inspecting the conduct of all persons who are placed under their command or charge;

“(3) to guard against and to suppress all dissolute and immoral practices and to correct, according to applicable laws and regulations, all persons who are guilty of them; and

“(4) to take all necessary and proper measures, under the laws, regulations, and customs applicable to the armed forces, to promote and safeguard the morale, the physical well-being, and the general welfare of the officers, enlisted persons, and civilian persons under their command or charge.”.

(b) CONFORMING AND CLERICAL AMENDMENTS.—(1) The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 121 the following new item:

“121a. Requirement of exemplary conduct.”.

(2) Title 10 is further amended as follows:

(A)(i) Section 3583 is repealed.

(ii) The table of sections at the beginning of chapter 345 is amended by striking the item relating to section 3583.

(B)(i) Section 5947 is repealed.

(ii) The table of sections at the beginning of chapter 551 is amended by striking the item relating to section 5947.

(C)(i) Section 8583 is repealed.

(ii) The table of sections at the beginning of chapter 845 is amended by striking the item relating to section 8583.

Subtitle B—Reserve Component Management

SEC. 511. READY RESERVE TRAINING REQUIREMENT.

Subsection (a) of section 10147 of title 10, United States Code, is amended to read as follows:

“(a) Except as specifically provided in regulations to be prescribed by the Secretary of Defense, or by the Secretary of Homeland Security with respect to the Coast Guard when it is not operating as a service in the Navy, each person who is enlisted, inducted, or appointed in an armed force, and who becomes a member of the Ready Reserve under any provision of law except section 513 or 10145(b) of this title, shall be required, while in the Ready Reserve, to participate in a combination of drills, training periods or active duty equivalent to 38 days, exclusive of travel, during each year.”.

SEC. 512. STREAMLINE PROCESS TO CONTINUE OFFICERS ON THE RESERVE ACTIVE STATUS LIST.

(a) CONTINUATION.—Section 14701 of title 10, United States Code, is amended—

(1) in subsection (a)—

(A) in paragraph (1), by striking “by a selection board convened under section 14101(b) of this title” and inserting “under regulations prescribed by the Secretary concerned”;

(B) in paragraph (6), by striking “as a result of the convening of a selection board under section 14101(b) of this title”;

(2) by striking subsections (b) and (c); and

(3) by redesignating subsection (d) as subsection (b).

(b) CONFORMING AMENDMENT.—Subsection (b) of section 14101 of such title is amended—

- (1) by striking paragraph (1); and
- (2) by redesignating paragraphs (2) and (3) as paragraphs (1) and (2), respectively.

Subtitle C—Military Education and Training

SEC. 521. AUTHORITY FOR THE MARINE CORPS UNIVERSITY TO AWARD THE DEGREE OF MASTER OF OPERATIONAL STUDIES.

Section 7102 of title 10, United States Code, is amended—

(1) by redesignating subsections (c) and (d) as subsections (d) and (e), respectively; and

(2) by inserting after subsection (b) the following new subsection (c):

“(c) COMMAND AND STAFF COLLEGE OF THE MARINE CORPS UNIVERSITY.—Upon the recommendation of the Director and faculty of the Command and Staff College of the Marine Corps University, the President of the Marine Corps University may confer the degree of master of operational studies upon graduates of the Command and Staff College’s School of Advanced Warfighting who fulfill the requirements for that degree.”.

SEC. 522. JOINT PROFESSIONAL MILITARY EDUCATION.

Section 663(e) of title 10, United States Code, is repealed.

Subtitle D—Administrative Matters

SEC. 531. ENHANCEMENTS TO PERSONNEL TEMPO PROGRAM.

(a) REVISIONS TO DEPLOYMENT LIMITS AND AUTHORITY TO AUTHORIZE EXEMPTIONS.—Section 991(a) of title 10, United States Code, is amended to read as follows:

“(a) SERVICE AND GENERAL OR FLAG OFFICER RESPONSIBILITIES.—The deployment (or potential deployment) of a member of the armed forces shall be managed to ensure the member is not deployed, or continued in a deployment, on any day on which the total number of days on which the member has been deployed out of the preceding 730 days would exceed 400, or a lower threshold as approved by the Under Secretary of Defense for Personnel and Readiness. The member may be deployed, or continued in a deployment, without regard to the preceding sentence if such deployment, or continued deployment, is approved by a member of the Senior Executive Service or the first general or flag officer (including officers in the grade of O-6 in such positions already selected for general or flag rank) in the member’s chain of command.”.

(b) CHANGES TO HIGH-DEPLOYMENT ALLOWANCE.—Section 436 of title 37, United States Code, is amended—

(1) by amending subsection (a) to read as follows:

“(a) MONTHLY ALLOWANCE REQUIRED.—The Secretary of the military department concerned shall pay a high-deployment allowance to a member of the armed forces under the Secretary’s jurisdiction for each month during which the member—

“(1) is deployed; and

“(2) has, as of that day, been deployed for either or both of the following periods:

“(A) 401 or more days out of the preceding 730 days (or at a lower threshold as approved by the Under Secretary of Defense for Personnel and Readiness); or

“(B) 191 or more consecutive days (or for a lower threshold as approved by the Under Secretary of Defense for Personnel and Readiness).”;

(2) by amending subsection (c) to read as follows:

“(c) MAXIMUM RATE.—The maximum monthly rate of the allowance payable to a member under this section is \$1,000.”;

(3) in subsection (e), by striking “per diem” and inserting “allowance”;

(4) in subsection (f)—

(A) by striking “per diem” and inserting “allowance”; and

(B) by striking “day on” and inserting “month during”; and

(5) by adding at the end the following new subsection:

“(g) EXCLUDED BILLETS.—The Secretary concerned may exclude selected billets from eligibility for the high-deployment allowance upon approval by the Under Secretary of Defense for Personnel and Readiness. A billet may only be excluded on a prospective basis once the current incumbent has vacated that billet.”.

(c) CHANGES TO REPORTING REQUIREMENT.—Section 487(b)(5) of title 10, United States Code, is amended to read as follows:

"(5) For each of the armed forces, the description shall indicate the number of members who received the high-deployment allowance, the total number of months for which the allowance was paid to members, and the total amount spent on the allowance."

(d) CLERICAL AMENDMENTS.—(1) The heading of section 436 of title 37, United States Code, is amended to read as follows:

"§ 436. Monthly high-deployment allowance for lengthy or numerous deployments";

and

(2) The item relating to that section in the table of sections at the beginning of chapter 7 of such title is amended to read as follows:

"436. Monthly high-deployment allowance for lengthy or numerous deployments."

SEC. 532. CONSISTENT TIME IN SERVICE RETIREMENT CRITERIA.

(a) OFFICERS IN REGULAR NAVY OR MARINE CORPS WHO COMPLETED 40 YEARS OF ACTIVE SERVICE.—Section 6321(a) of title 10, United States Code, is amended by striking "after completing 40 or more years" and inserting "and has at least 40 years".

(b) OFFICERS IN REGULAR NAVY OR MARINE CORPS WHO COMPLETED 30 YEARS OF ACTIVE SERVICE.—Section 6322(a) of such is amended by striking "after completing 30 or more years" and inserting "and has at least 30 years".

(c) OFFICERS IN NAVY OR MARINE CORPS WHO COMPLETED 20 YEARS OF ACTIVE SERVICE.—Section 6323(a)(1) of such title is amended by striking "after completing more than 20 years" and inserting "and has at least 20 years".

(d) ENLISTED MEMBERS IN REGULAR NAVY OR MARINE CORPS WHO COMPLETED 30 YEARS OF ACTIVE SERVICE.—Section 6326(a) of such title is amended by striking "after completing 30 or more years" and inserting "and has at least 30 years".

(e) TRANSFER OF ENLISTED MEMBERS TO THE FLEET RESERVE AND FLEET MARINE CORPS RESERVE.—Section 6330(b) of such title is amended by striking "who has completed 20 or more years" both places it appears and inserting "and has at least 20 years".

(f) TRANSFER OF MEMBERS OF THE FLEET RESERVE AND FLEET MARINE CORPS RESERVE TO THE RETIRED LIST.—Section 6331(a) of such title is amended by striking "completed 30 years" and inserting "has at least 30 years".

(g) EFFECTIVE DATE.—The Secretary of the Navy may determine the effective date of the amendments made by this section.

Subtitle E—Benefits

SEC. 541. AUTHORITY TO TRANSPORT REMAINS OF RETIREES WHO DIE IN MILITARY TREATMENT FACILITIES OUTSIDE THE UNITED STATES.

(a) AUTHORIZE TRANSPORT OUTSIDE THE UNITED STATES.—Section 1490 of title 10, United States Code, is amended—

(1) in subsection (a), by striking "located in the United States"; and

(2) in subsection (b)(1), by striking "outside the United States or to a place".

(b) CONFORMING AMENDMENT.—Subsection (c) of such section is amended to read as follows:

"(c) In this section, the term 'dependent' has the meaning given such term in section 1072(2) of this title."

SEC. 542. CHANGE FAMILY SEPARATION HOUSING ALLOWANCE FROM AN ENTITLEMENT TO A DISCRETIONARY ALLOWANCE.

Section 403(d)(1) of title 37, United States Code, is amended by striking "is entitled to" and inserting "may be paid, at the discretion of the Secretary concerned,".

SEC. 543. PAYMENT OF DEPENDENT STUDENT BAGGAGE STORAGE.

Section 430(b)(2) of title 37, United States Code, is amended by striking "during the dependent's annual trip between the school and the member's duty station" and inserting "one time per fiscal year".

SEC. 544. MODIFICATION OF PROHIBITION ON REQUIREMENT OF NONAVAILABILITY STATEMENT OR PREAUTHORIZATION.

Section 721 of the Floyd D. Spence National Defense Authorization Act for Fiscal Year 2001 (Public Law 106-398; 114 Stat. 1654A-184), as enacted into law by Public Law 106-398, and as amended by Public Law 107-107, is hereby repealed.

Subtitle F—Military Justice Matters

SEC. 551. TECHNICAL AMENDMENT TO THE UNIFORM CODE OF MILITARY JUSTICE CONCERNING THE OFFENSE OF DRUNKEN OPERATION OF A VEHICLE, AIRCRAFT, OR VESSEL.

Section 911 of title 10, United States Code, is amended to read as follows:

“§ 911. Drunken or reckless operation of a vehicle, aircraft, or vessel

“(a) Any person subject to this chapter who—

“(1) operates or physically controls any vehicle, aircraft, or vessel in a reckless or wanton manner or while impaired by a substance described in section 912a(b) of this title, or

“(2) operates or is in actual physical control of any vehicle, aircraft, or vessel while drunk or when the alcohol concentration in the person's blood or breath is at or above the level prohibited under subsection (b), as shown by chemical analysis, shall be punished as a court-martial may direct.

“(b)(1) For purposes of subsection (a), the applicable limit on the alcohol concentration in a person's blood or breath is as follows:

“(A) In the case of the operation or control of a vehicle, aircraft, or vessel in the United States, the level is the blood or breath alcohol concentration prohibited under the law of the State in which the conduct occurred, except as may be provided under paragraph (2) for conduct on a military installation that is in more than one State, and subject to the prohibited alcohol concentration level specified in paragraph (3).

“(B) In the case of the operation or control of a vehicle, aircraft, or vessel outside the United States, the level is the blood alcohol concentration specified in paragraph (3) or such lower level as the Secretary of Defense may by regulation prescribe.

“(2) In the case of a military installation that is in more than one State, if those States have different levels for defining their prohibited blood alcohol concentrations under their respective State laws, the Secretary concerned for the installation may select one such level to apply uniformly on that installation.

“(3) For purposes of paragraph (1), the level of alcohol concentration prohibited in a person's blood is 0.10 grams or more of alcohol per 100 milliliters of blood and with respect to a person's breath is 0.10 grams or more of alcohol per 210 liters of breath, as shown by chemical analysis.

“(4) In this subsection, the term ‘United States’ included the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa and the term ‘State’ includes each of those jurisdictions.”.

Subtitle G—Other Matters

SEC. 561. BASIC TRAINING REQUIREMENT FOR CERTAIN MEMBERS ACCESSED UNDER A DIRECT ENTRY PROGRAM.

Paragraph (1) of section 671(c) of title 10, United States Code, is amended to read as follows:

“(1) Under regulations prescribed under paragraph (2), a period of basic training (or equivalent training) shorter than 12 weeks may be established by the Secretary concerned for members of the armed forces who—

“(A) have been credentialed in a medical profession or occupation and are serving in a health-care occupational specialty; or

“(B) have been accessed into a direct entry program established by the Secretary concerned based on unique skills acquired in a civilian occupation.

Any such period shall be established under regulations prescribed under paragraph (2) and may be established notwithstanding section 4(a) of the Military Selective Service Act (50 U.S.C. App. 454(a)).”.

SEC. 562. ALTERNATE INITIAL MILITARY SERVICE OBLIGATION FOR PERSONS ACCESSED UNDER DIRECT ENTRY PROGRAM.

Subsection (a) of section 651 of title 10, United States Code, is amended to read as follows:

“(a)(1) Each person who becomes a member of an armed force, other than a person described in paragraph (2), shall serve in the armed forces for a total initial period of not less than six years nor more than eight years, as provided in regulations prescribed by the Secretary of Defense for the armed forces under his jurisdiction and by the Secretary of Homeland Security for the Coast Guard when it is not oper-

ating as a service in the Navy, unless such person is sooner discharged under such regulations because of personal hardship. Any part of such service that is not active duty or that is active duty for training shall be performed in a reserve component.

“(2) A person is not subject to paragraph (1) if that person—

“(A) deferred under the next to the last sentence of section 6(d)(1) of the Military Selective Service Act (50 U.S.C. App. 456(d)(1)); or

“(B) accessed into a direct entry program established by the Secretary concerned based on unique skills acquired in a civilian occupation.”.

SEC. 563. JOINT WARFIGHTING CAPABILITIES FUNDING.

Section 166a(b) of title 10, United States Code, is amended by adding at the end the following new paragraph:

“(10) Joint warfighting capabilities.”.

SEC. 564. REAPPOINTMENT OF CHAIRMAN AND VICE-CHAIRMAN OF THE JOINT CHIEFS OF STAFF DURING NATIONAL EMERGENCY.

(a) REAPPOINTMENT OF THE CHAIRMAN OF THE JOINT CHIEFS OF STAFF.—Section 152(a) of title 10, United States Code, is amended—

(1) in paragraph (1), by striking “in time of war” and inserting “in time of war or during a national emergency declared by the President or Congress”; and

(2) in paragraph (3), by striking “in time of war” and inserting “in time of war or during a national emergency declared by the President or Congress”.

(b) REAPPOINTMENT OF THE VICE-CHAIRMAN OF THE JOINT CHIEFS OF STAFF.—Paragraph (3) of section 154(a) of such title is amended by striking “in time of war” and inserting “in time of war or during a national emergency declared by the President or Congress”.

TITLE VI—COMPENSATION AND OTHER PERSONNEL BENEFITS

Subtitle A—Pay and Allowances

SEC. 601. INCREASE IN BASIC PAY FOR FISCAL YEAR 2004.

(a) WAIVER OF SECTION 1009 ADJUSTMENT.—The adjustment to become effective during fiscal year 2004 required by section 1009 of title 37, United States Code, in the rates of monthly basic pay authorized members of the uniformed services shall not be made.

(b) INCREASE IN BASIC PAY FOR MEMBERS OF ARMED FORCES.—Effective on January 1, 2004, the rates of monthly basic pay for members of the armed forces within each pay grade are as follows:

COMMISSIONED OFFICERS¹

Years of service computed under section 205 of title 37, United States Code

Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6
O-10	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
O-9	0.00	0.00	0.00	0.00	0.00
O-8	7,751.10	8,004.90	8,173.20	8,220.60	8,430.30
O-7	6,440.70	6,739.80	6,878.40	6,988.50	7,187.40
O-6	4,773.60	5,244.30	5,588.40	5,588.40	5,609.70
O-5	3,979.50	4,482.90	4,793.40	4,851.60	5,044.80
O-4	3,433.50	3,974.70	4,239.90	4,299.00	4,545.30
O-3 ³	3,018.90	3,422.40	3,693.90	4,027.20	4,220.10
O-2	2,595.60	2,956.50	3,405.00	3,519.90	3,592.50
O-1 ³	2,253.60	2,345.10	2,834.70	2,834.70	2,834.70
	Over 8	Over 10	Over 12	Over 14	Over 16
O-10 ²	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
O-9	0.00	0.00	0.00	0.00	0.00

COMMISSIONED OFFICERS¹—Continued

Years of service computed under section 205 of title 37, United States Code

Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6
O-8	8,781.90	8,863.50	9,197.10	9,292.80	9,579.90
O-7	7,384.20	7,611.90	7,839.00	8,066.70	8,781.90
O-6	5,850.00	5,882.10	5,882.10	6,216.30	6,807.30
O-5	5,161.20	5,415.90	5,602.80	5,844.00	6,213.60
O-4	4,809.30	5,137.80	5,394.00	5,571.60	5,673.60
O-3 ³	4,431.60	4,568.70	4,794.30	4,911.30	4,911.30
O-2 ³	3,592.50	3,592.50	3,592.50	3,592.50	3,592.50
O-1 ³	2,834.70	2,834.70	2,834.70	2,834.70	2,834.70
	Over 18	Over 20	Over 22	Over 24	Over 26
O-10 ² ..	\$0.00	\$12,524.70	\$12,586.20	\$12,847.80	\$13,303.80
O-9	0.00	10,954.50	11,112.30	11,340.30	11,738.40
O-8	9,995.70	10,379.10	10,635.30	10,635.30	10,635.30
O-7	9,386.10	9,386.10	9,386.10	9,386.10	9,433.50
O-6	7,154.10	7,500.90	7,698.30	7,897.80	8,285.40
O-5	6,389.70	6,563.40	6,760.80	6,760.80	6,760.80
O-4	5,733.00	5,733.00	5,733.00	5,733.00	5,733.00
O-3 ³	4,911.30	4,911.30	4,911.30	4,911.30	4,911.30
O-2 ³	3,592.50	3,592.50	3,592.50	3,592.50	3,592.50
O-1 ³	2,834.70	2,834.70	2,834.70	2,834.70	2,834.70

¹ Notwithstanding the basic pay rates specified in this table, the actual rate of basic pay for commissioned officers in pay grades O-7 through O-10 may not exceed the rate of pay for level III of the Executive Schedule and the actual rate of basic pay for all other officers may not exceed the rate of pay for level V of the Executive Schedule.

² Subject to the preceding footnote, the rate of basic pay for an officer in this grade while serving as Chairman or Vice Chairman of the Joint Chiefs of Staff, Chief of Staff of the Army, Chief of Naval Operations, Chief of Staff of the Air Force, Commandant of the Marine Corps, or Commandant of the Coast Guard, is \$14,679.30, regardless of cumulative years of service computed under section 205 of title 37, United States Code.

³ This table does not apply to commissioned officers in pay grade O-1, O-2, or O-3 who have been credited with over 4 years of active duty service as an enlisted member or warrant officer.

XVII

COMMISSIONED OFFICERS WITH OVER 4 YEARS OF ACTIVE DUTY SERVICE AS AN ENLISTED MEMBER OR WARRANT OFFICER

Years of service computed under section 205 of title 37, United States Code

Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6
O-3E	\$0.00	\$0.00	\$0.00	\$4,027.20	\$4,220.10
O-2E	0.00	0.00	0.00	3,537.00	3,609.90
O-1E	0.00	0.00	0.00	2,848.50	3,042.30
	Over 8	Over 10	Over 12	Over 14	Over 16
O-3E	\$4,431.60	\$4,568.70	\$4,794.30	\$4,984.20	\$5,092.80
O-2E	3,724.80	3,918.60	4,068.60	4,180.20	4,180.20
O-1E	3,154.50	3,269.40	3,382.20	3,537.00	3,537.00
	Over 18	Over 20	Over 22	Over 24	Over 26
O-3E	\$5,241.30	\$5,241.30	\$5,241.30	\$5,241.30	\$5,241.30
O-2E	4,180.20	4,180.20	4,180.20	4,180.20	4,180.20
O-1E	3,537.00	3,537.00	3,537.00	3,537.00	3,537.00

WARRANT OFFICERS ¹

Years of service computed under section 205 of title 37, United States Code

Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6
W-5	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
W-4	3,119.40	3,355.80	3,452.40	3,547.20	3,710.40
W-3	2,848.80	2,967.90	3,089.40	3,129.30	3,257.10
W-2	2,505.90	2,649.00	2,774.10	2,865.30	2,943.30
W-1	2,212.80	2,394.00	2,515.20	2,593.50	2,802.30
	Over 8	Over 10	Over 12	Over 14	Over 16
W-5	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
W-4	3,871.50	4,035.00	4,194.30	4,359.00	4,617.30
W-3	3,403.20	3,595.80	3,786.30	3,988.80	4,140.60
W-2	3,157.80	3,321.60	3,443.40	3,562.20	3,643.80
W-1	2,928.30	3,039.90	3,164.70	3,247.20	3,321.90
	Over 18	Over 20	Over 22	Over 24	Over 26
W-5	\$0.00	\$5,360.70	\$5,544.30	\$5,728.80	\$5,914.20
W-4	4,782.60	4,944.30	5,112.00	5,277.00	5,445.90
W-3	4,291.80	4,356.90	4,424.10	4,570.20	4,716.30
W-2	3,712.50	3,843.00	3,972.60	4,103.70	4,103.70
W-1	3,443.70	3,535.80	3,535.80	3,535.80	3,535.80

¹ Notwithstanding the basic pay rates specified in this table, the actual rate of basic pay for warrant officers may not exceed the rate of pay for level V of the Executive Schedule.

ENLISTED MEMBERS¹

Years of service computed under section 205 of title 37, United States Code

Pay Grade	2 or less	Over 2	Over 3	Over 4	Over 6
E-9 ²	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
E-8	0.00	0.00	0.00	0.00	0.00
E-7	2,145.00	2,341.20	2,430.60	2,549.70	2,642.10
E-6	1,855.50	2,041.20	2,131.20	2,218.80	2,310.00
E-5	1,700.10	1,813.50	1,901.10	1,991.10	2,130.60
E-4	1,558.20	1,638.30	1,726.80	1,814.10	1,891.50
E-3	1,407.00	1,495.50	1,585.50	1,585.50	1,585.50
E-2	1,331.40	1,331.40	1,331.40	1,331.40	1,331.40
E-1 ³	1,086.00	0.00	0.00	0.00	0.00
	Over 8	Over 10	Over 12	Over 14	Over 16
E-9 ²	\$0.00	\$3,769.20	\$3,854.70	\$3,962.40	\$4,089.30
E-8	3,085.50	3,222.00	3,306.30	3,407.70	3,517.50
E-7	2,801.40	2,891.10	2,980.20	3,139.80	3,219.60
E-6	2,516.10	2,596.20	2,685.30	2,763.30	2,790.90
E-5	2,250.90	2,339.70	2,367.90	2,367.90	2,367.90
E-4	1,891.50	1,891.50	1,891.50	1,891.50	1,891.50
E-3	1,585.50	1,585.50	1,585.50	1,585.50	1,585.50
E-2	1,331.40	1,331.40	1,331.40	1,331.40	1,331.40
E-1 ³	1,173.90	1,173.90	1,173.90	1,173.90	1,173.90
	Over 18	Over 20	Over 22	Over 24	Over 26
E-9 ²	\$4,216.50	\$4,421.10	\$4,594.20	\$4,776.60	\$5,054.70
E-8	3,715.50	3,815.70	3,986.40	4,081.20	4,314.30
E-7	3,295.50	3,341.70	3,498.00	3,599.10	3,855.00
E-6	2,809.80	2,809.80	2,809.80	2,809.80	2,809.80
E-5	2,367.90	2,367.90	2,367.90	2,367.90	2,367.90
E-4	1,891.50	1,891.50	1,891.50	1,891.50	1,891.50
E-3	1,585.50	1,585.50	1,585.50	1,585.50	1,585.50
E-2	1,331.40	1,331.40	1,331.40	1,331.40	1,331.40
E-1 ³	1,173.90	1,173.90	1,173.90	1,173.90	1,173.90

¹ Notwithstanding the basic pay rates specified in this table, the actual rate of basic pay for enlisted members may not exceed the rate of pay for level V of the Executive Schedule.

² Subject to the preceding footnote, the rate of basic pay for an enlisted member in this grade while serving as Sergeant Major of the Army, Master Chief Petty Officer of the Navy, Chief Master Sergeant of the Air Force, Sergeant Major of the Marine Corps, or Master Chief Petty Officer of the Coast Guard, is \$6,090.90, regardless of cumulative years of service computed under section 205 of title 37, United States Code.

³ In the case of members in pay grade E-1 who have served less than 4 months on active duty, the rate of basic pay is \$1,086.00.

(C) INCREASE IN BASIC PAY FOR MEMBERS OF THE UNIFORMED SERVICES NOT IN THE ARMED FORCES.—Effective on January 1, 2004, the monthly basic pay for members of the uniformed services not in the armed forces is increased by 2.0 percent.

SEC. 602. HOUSING ALLOWANCE FOR EACH MARRIED PARTNER WHEN BOTH ARE ON SEA DUTY AND THERE ARE NO OTHER DEPENDENTS.

Subparagraph (C) of subsection 403(f)(2) of title 37, United States Code, is amended to read as follows:

“(C) Notwithstanding section 421 of this title, two members of the uniformed services in a pay grade below pay grade E-6 who are married to each other, have no other dependents, and are simultaneously assigned to sea duty are each entitled to a basic allowance for housing during the period of such simultaneous sea duty. The amount of each member’s allowance shall be based on the without dependents rate for the pay grade of the member.”.

SEC. 603. AMENDMENT TO BASIC PAY FOR CERTAIN COMMISSIONED OFFICERS WITH PRIOR SERVICE AS AN ENLISTED MEMBER OR WARRANT OFFICER.

Section 203(d)(2) of title 37, United States Code, is amended to read as follows:

"(2) Service to be taken into account for purposes of computing basic pay under paragraph (1) is as follows:

"(A) Active service as a warrant officer or as a warrant officer and an enlisted member.

"(B) Service as a warrant officer, as an enlisted member, or as a warrant officer and an enlisted member, for which at least 1,460 points have been credited to the officer for the purposes of section 12732(a)(2) of title 10."

Subtitle B—Bonuses and Special and Incentive Pays

SEC. 611. INCREASE MAXIMUM AMOUNT OF SELECTIVE REENLISTMENT BONUS.

Section 308(a)(2)(B) of title 37, United States Code, is amended by striking "\$60,000" and inserting "\$90,000".

SEC. 612. MAKING ALL WARRANT OFFICERS ELIGIBLE FOR ACCESSION BONUS FOR NEW OFFICERS IN CRITICAL SKILLS.

Section 324 of title 37, United States Code, is amended—

(1) in subsection (a), by inserting "or an appointment" after "commission"; and

(2) in subsection (f), by inserting "or an appointment" after "commission".

SEC. 613. INCENTIVE BONUS: LATERAL CONVERSION BONUS FOR CONVERTING TO UNDERMANNED MILITARY OCCUPATIONAL SPECIALTIES.

(a) **BONUS AUTHORIZED.**—Chapter 5 of title 37, United States Code, is amended by adding at the end the following new section:

"§ 326. Incentive bonus: lateral conversion bonus for converting to undermanned military occupational specialties

"(a) AUTHORITY AND ELIGIBILITY REQUIREMENTS.—

"(1) The Secretary concerned may pay a bonus to a member of the armed forces who agrees to serve in a military occupational specialty, rating or other military specialty defined by the member's armed force, that is designated by the Secretary concerned as undermanned for purposes of this bonus.

"(2) A bonus may only be paid under this section to a member who—

"(A) is entitled to basic pay;

"(B) is serving in pay grade E-6 (with less than 10 years of service) or E-5 and below (regardless of years of service); and

"(C) agrees to serve for a period of not less than two years in a military occupational specialty, rating or other military specialty designated by the Secretary concerned as undermanned for the purposes of this bonus.

"(b) AMOUNT AND PAYMENT OF BONUS.—

"(1) A bonus under this section may not exceed \$4,000.

"(2) Any bonus payable under this section shall be disbursed in one lump sum payment when the member's conversion to the new military specialty is approved by the personnel chief of the member's armed force, or his designee.

"(c) RELATIONSHIP TO OTHER PAY AND ALLOWANCES.—A bonus paid to a member under this section is in addition to any other pay and allowances to which the member is entitled.

"(d) REPAYMENT OF BONUS.—

"(1) A member who receives a bonus payment under this section and who voluntarily or through misconduct, fails to serve for the required period in the undermanned military occupational specialty, rating or other military specialty defined by the armed force for which the bonus was paid, shall refund to the United States an amount that bears the same ratio to the amount of the bonus paid to the member as the period that the member failed to serve bears to the total period for which the bonus was paid.

"(2) An obligation to reimburse the United States imposed under paragraph (1) is, for all purposes, a debt owed to the United States.

"(3) A discharge in bankruptcy under title 11 that is entered less than five years after the termination of service for which a bonus was paid under this section shall not discharge the person receiving such bonus payment from the debt arising under paragraph (1).

"(4) Under regulations prescribed pursuant to subsection (e), the Secretary concerned may waive, in whole or in part, an obligation to reimburse the United States imposed under paragraph (1) when the Secretary determines that recov-

ery would be against equity and good conscience or would be contrary to the best interests of the United States.

"(e) REGULATIONS.—The Secretaries concerned shall prescribe regulations to carry out this section. Regulations prescribed by the Secretary of a military department shall be subject to the approval of the Secretary of Defense.

"(f) TERMINATION OF BONUS AUTHORITY.—No bonus may be paid under this section with respect to any lateral conversion approved after September 30 of the third fiscal year that began after the date of enactment of this section."

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by adding at the end the following new item:

"326. Incentive bonus: lateral conversion bonus for converting to undermanned military occupational specialties."

SEC. 614. EXTENDING HOSTILE FIRE AND IMMINENT DANGER PAY TO RESERVE COMPONENT MEMBERS ON INACTIVE DUTY.

Section 310 of title 37, United States Code, is amended—

(1) in subsection (a), by inserting "under section 204, or to compensation under section 206 (as provided in subsection (b)(2)), of this title," after "basic pay"; and

(2) in subsection (b)(2), by inserting ", including a member who is entitled to compensation under section 206 of this title if performing inactive duty in an area that has not been designated as an imminent danger area or has not been under hostile fire but comes under hostile fire or an explosion of hostile mines during such inactive duty for training period," after "reserve component".

SEC. 615. EXPANDED EDUCATIONAL ASSISTANCE AUTHORITY FOR CADETS AND MIDSHIPMEN RECEIVING ROTC SCHOLARSHIPS.

(a) FINANCIAL ASSISTANCE PROGRAM FOR SERVICE ON ACTIVE DUTY.—Section 2107(c) of title 10, United States Code, is amended by adding at the end the following new paragraph:

"(3)(A) In the case of any cadet or midshipman eligible to receive financial assistance as provided under paragraph (1) or (2), the Secretary of the military department concerned may pay room and board expenses for such cadet or midshipman, and other expenses required by the educational institution, in lieu of all or part of the financial assistance described in paragraph (1).

"(B) The total amount of financial assistance, including the payment of room and board and other educational expenses, provided to a cadet or midshipman in an academic year under this subsection may not exceed an amount equal to the amount that could be provided as financial assistance for such cadet or midshipman under paragraph (1) or (2), or other amount determined by the Secretary concerned, without regard to whether room and board and other educational expenses for such cadet or midshipman are paid under this paragraph."

(b) FINANCIAL ASSISTANCE PROGRAM FOR SERVICE IN TROOP PROGRAM UNITS.—Section 2107a(c) of such title is amended—

(1) by inserting "(1)" after "(c)"; and

(2) by adding at the end the following new paragraph:

"(2)(A) In the case of any cadet eligible to receive financial assistance as provided under paragraph (1), the Secretary of the military department concerned may pay room and board expenses for such cadet, and other expenses required by the educational institution, in lieu of all or part of the financial assistance described in paragraph (1).

"(B) The total amount of financial assistance, including the payment of room and board and any other educational expenses, provided to a cadet in an academic year under this subsection may not exceed an amount equal to the amount that could be provided as financial assistance for such cadet under paragraph (1), or other amount determined by the Secretary of the Army, without regard to whether the room and board and other educational expenses for such cadet are paid under this paragraph."

SEC. 616. NOTICE AND WAIT PROVISION CONCERNING CRITICAL SKILLS RETENTION BONUS.

Section 323(b) of title 37, United States Code, is amended by striking paragraph (2).

SEC. 617. EXPANSION OF OVERSEAS TOUR EXTENSION INCENTIVE PROGRAM BENEFITS TO OFFICERS.

(a) REST AND RECUPERATIVE ABSENCE.—

(1) Section 705 of title 10, United States Code, is amended—

(A) by striking "enlisted" in the section heading; and

(B) in subsection (a), by striking “an enlisted” and inserting “a”.

(2) The item relating to such section in the table of sections at the beginning of chapter 40 of such title is amended to read as follows:

“705. Rest and recuperative absence for qualified members extending duty at designated locations overseas.”.

(b) **SPECIAL PAY OR BONUS.**—

(1) Section 314 of title 37, United States Code, is amended—

(A) by striking “enlisted” in the section heading;

(B) in subsection (a), by striking “an enlisted” and inserting “a”; and

(C) in subsection (b), by striking “an enlisted” and inserting “a”.

(2) The item relating to such section in the table of sections at the beginning of chapter 5 of such title is amended to read as follows:

“314. Special pay or bonus: qualified members extending duty at designated locations overseas.”.

SEC. 618. ONE-YEAR EXTENSION OF CERTAIN BONUS AND SPECIAL PAY AUTHORITIES FOR RESERVE FORCES.

(a) **SPECIAL PAY FOR HEALTH PROFESSIONALS IN CRITICALLY SHORT WARTIME SPECIALTIES.**—Section 302g(f) of title 37, United States Code, is amended by striking out “December 31, 2003” and inserting “December 31, 2004”.

(b) **SELECTED RESERVE REENLISTMENT BONUS.**—Section 308b(f) of such title is amended by striking out “December 31, 2003” and inserting “December 31, 2004”.

(c) **SELECTED RESERVE ENLISTMENT BONUS.**—Section 308c(e) of such title is amended by striking out “December 31, 2003” and inserting “December 31, 2004”.

(d) **SPECIAL PAY FOR ENLISTED MEMBERS ASSIGNED TO CERTAIN HIGH PRIORITY UNITS.**—Section 308d(c) of such title is amended by striking out “December 31, 2003” and inserting “December 31, 2004”.

(e) **SELECTED RESERVE AFFILIATION BONUS.**—Section 308e(e) of such title is amended by striking “December 31, 2001” and inserting “December 31, 2004”.

(f) **READY RESERVE ENLISTMENT AND REENLISTMENT BONUS.**—Section 308h(g) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(g) **PRIOR SERVICE REENLISTMENT BONUS.**—Section 308i(f) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(h) **REPAYMENT OF EDUCATION LOANS FOR CERTAIN HEALTH PROFESSIONALS WHO SERVE IN THE SELECTED RESERVE.**—Section 16302(d) of title 10, United States Code, is amended by striking “January 1, 2004” and inserting “January 1, 2005”.

SEC. 619. ONE-YEAR EXTENSION OF SPECIAL PAY AND BONUS AUTHORITIES FOR NUCLEAR OFFICERS.

(a) **SPECIAL PAY FOR NUCLEAR-QUALIFIED OFFICERS EXTENDING PERIOD OF ACTIVE SERVICE.**—Section 312(e) of title 37, United States Code, is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(b) **NUCLEAR CAREER ACCESSION BONUS.**—Section 312b(c) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(c) **NUCLEAR CAREER ANNUAL INCENTIVE BONUS.**—Section 312c(d) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

SEC. 620. ONE-YEAR EXTENSION OF AUTHORITIES RELATING TO PAYMENT OF OTHER BONUSES.

(a) **AVIATION OFFICER RETENTION BONUS.**—Section 301b(a) of title 37, United States Code, is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(b) **REENLISTMENT BONUS FOR ACTIVE MEMBERS.**—Section 308(g) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(c) **ENLISTMENT BONUS.**—Section 309(e) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(d) **RETENTION BONUS FOR MEMBERS QUALIFIED IN A CRITICAL MILITARY SKILL.**—Section 323(i) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(e) **ACCESSION BONUS FOR NEW OFFICERS IN CRITICAL SKILLS.**—Section 324(g) of such title is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

Subtitle C—Travel and Transportation Allowances

SEC. 621. SHIPMENT OF A PRIVATELY OWNED MOTOR VEHICLE WITHIN THE CONTINENTAL UNITED STATES.

(a) AUTHORITY TO PROCURE CONTRACT FOR TRANSPORTATION OF MOTOR VEHICLE.—Section 2634 of title 10, United States Code, is amended by adding at the end the following new subsection:

“(i) In the case of a change of permanent station described in clause (A) or (B) of subsection (h)(1) of this section, the Secretary concerned may authorize the member to arrange shipment of the motor vehicle in lieu of transportation at the expense of the United States. The member may be paid a monetary allowance in lieu of transportation as established under section 404(d)(1) of title 37 and the member is responsible for any transportation costs in excess of such allowance.”.

(b) ALLOWANCE FOR SELF-PROCUREMENT OF TRANSPORTATION OF MOTOR VEHICLE.—Subparagraph (B) of section 406(b)(1) of title 37, United States Code, is amended by adding at the end the following new sentence: “In the case of the transportation of a motor vehicle arranged by the member under subsection (i) of section 2634 of title 10, the member, who has proof of shipment, may be paid a monetary allowance in lieu of transportation as established under section 404(d)(1) of this title.”.

Subtitle D—Other Matters

SEC. 631. PERMIT NON-SCHOLARSHIP SENIOR ROTC SOPHOMORES TO VOLUNTARILY CONTRACT AND RECEIVE SUBSISTENCE ALLOWANCE.

Section 209 of title 37, United States Code, is amended—

(1) by redesignating subsections (c) and (d) as subsections (d) and (e), respectively; and

(2) by inserting after subsection (b) the following new subsection (c):

“(c) PILOT PROGRAM FOR CONTRACT OF NON-SCHOLARSHIP SENIOR ROTC MEMBERS.—(1) An eligible member of the Selected Reserve Officers' Training Corps is entitled to a monthly subsistence allowance at a rate prescribed under subsection (a) for a maximum of twenty months.

“(2) To be eligible to receive a subsistence allowance under this subsection, a person must—

“(A) be a citizen of the United States;

“(B) enlist in an armed force under the jurisdiction of the Secretary of the military department concerned for the period prescribed by the Secretary;

“(C) contract, with the consent of his parent or guardian if he is a minor, with the Secretary of the military department concerned, or his designated representative, to serve for the period required by the program;

“(D) agree in writing that he will accept an appointment, if offered, as a commissioned officer in the Army, Navy, Air Force, or Marine Corps, as the case may be, and that he will serve in the armed forces for the period prescribed by the Secretary;

“(E) complete successfully the first year of a four-year Senior Reserve Officers' Training Corps course;

“(F) not be eligible for advanced training under section 2104 of title 10;

“(G) not be appointed under section 2107 of title 10; and

“(H) execute a certificate of loyalty in such form as the Secretary of Defense prescribes or take a loyalty oath as prescribed by the Secretary.

“(3) This program will run as a pilot program for the period of three years beginning in January 2004. The Secretary of Defense will report to the Office of Management and Budget annually on the participation rates for the program with a cost evaluation of the program's effectiveness. Such annual reports will be due by December 31 for each of the three years.”.

TITLE VII—HEALTH CARE PROVISIONS

SEC. 701. REVISION OF DEPARTMENT OF DEFENSE MEDICARE ELIGIBLE RETIREE HEALTH CARE FUND TO PERMIT MORE ACCURATE ACTUARIAL VALUATIONS.

Section 1115(c) of title 10, United States Code, is amended by adding at the end the following new paragraph:

"(6) In determining single level dollar amounts in subparagraphs (1)(A) and (1)(B), the Secretary of Defense may, if the Secretary determines that it would produce a more accurate and appropriate actuarial valuation, determine a separate single level dollar amount under either or both subparagraphs for any individual participating uniformed service. If the Secretary makes any such determination, the Secretary (or in the case of a participating uniformed service under the jurisdiction of another administering Secretary, the administering Secretary concerned) shall make corresponding calculations under section 1116(a) of this title for the contributions applicable to the affected uniformed services."

SEC. 702. APPLICABILITY OF THE FEDERAL ADVISORY COMMITTEE ACT TO THE PHARMACY AND THERAPEUTICS COMMITTEE.

Section 1074g(b)(1) of title 10, United States Code, is amended by adding at the end the following new sentence: "The Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to the Pharmacy and Therapeutics Committee."

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FISCAL YEAR 2004 NATIONAL DEFENSE AUTHORIZATION ACT—PATRON AND INDUSTRY PERSPECTIVES ON MILITARY EXCHANGES, COMMISSARIES, AND MORALE, WELFARE AND RECREATION PROGRAMS

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
TOTAL FORCE SUBCOMMITTEE,
Washington, DC, Wednesday, March 12, 2003.

The subcommittee met, pursuant to call, at 5:43 p.m., in room 2212, Rayburn House Office Building, Hon. John M. McHugh (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE

Mr. MCHUGH. The meeting will come to order. It is good to be with all of you again after a few years hiatus, but welcome. And I want to start off by saying something I have actually never said before in any hearing that I can recall, and I am going to now. Good evening. [Laughter.]

I am not particularly thrilled to say that, but I appreciate all of you being here. And, obviously, as all of you recognize, we have some extraordinary circumstances in meeting this year's very compressed timeline, and it has necessitated, amongst other things, a hearing starting at this time of the evening.

But you are not just welcome, your presence is deeply appreciated as always, but particularly given the time of this hearing. So you can talk as long as you want. We can get pizza or something. The folks giving testimony will not get any, so—

[Laughter.]

Mr. MCHUGH [continuing]. I do not want to limit you in other ways.

If I may, If I may indulge upon you even further, and I hope you will understand and bear with me, for the past going on now 11 years, I have had the distinct honor of representing a wonderful piece of America, as we all do, in northern New York that is home to Fort Drum and the 10th Mountain Division. And yesterday, as I am sure many if not most of you have heard, we had a tragic training exercise accident. One Blackhawk helicopter went down, and as of this moment we have 11 lives lost.

I would simply say that it underscores to me in our responsibilities as members of this great committee, and in this instance the subcommittee, the very important nature of our job and helps to remind certainly me that while a lot of us spend a great deal of time, as we should, visiting the forward deployed forces who put their

lives on the line and sadly but realistically will probably continue to do so for some time to come, but those who happen to be home based are engaged in very dangerous work as well. And all of it is designed to protect all we know and love about this great country.

And yesterday after having been deployed all over the face of the planet, and in fact the last place I saw these folks and several of whom on the helicopter who lost their lives were there when I visited them in Afghanistan just prior to Operation Anaconda at Tora Bora serve as valiantly and as dangerously as well.

So if I could please just ask for a moment of silence and ask for your prayers and thoughts for the deceased, for those fallen heroes, and of course their families and loved ones.

[Moment of Silence]

Mr. McHUGH. Thank you. I am going to make some on-the-fly changes to my opening statement. The first one that says, "Good afternoon," I have already taken care of that. But today is a day of firsts. Not only is this the first hearing of the subcommittee in the 108th Congress, it is also the first hearing under our new name, the Total Force Subcommittee.

And it seems to me our new name represents very appropriate recognition that today our Nation mobilizes thousands of reservists and guardsmen to continue the war on terrorism and prepare for the potential war with Iraq. During this period when our Nation relies so directly on our reserve components, you can be sure that this subcommittee will examine reserve support and benefit programs very closely in the coming weeks.

And our subcommittee's new name does mean our primary responsibility has in any way changed. We remain the guardians of the personnel policy, compensation and benefit programs that directly affect the welfare of service members, retirees and their families. And I am pleased and very thrilled that our first hearing will address some of our most important and highly valued benefits: exchanges, commissaries and morale and welfare recreation programs (MWR).

One of the many rewards, and there are many, of serving on the Armed Services Committee are the frequent opportunities that we have to visit the military members, to learn about their lives within the military, and through these experiences I have come to believe very strongly that those who criticize exchanges, commissaries and MWR programs and view them as merely an additional form of compensation, some benefit added beyond what we are called upon to do to retain their service, simply do not understand the very unique and very important military culture.

In my view, these programs occupy a critically important position in the fabric of life in the military. These programs are the adhesive that bonds the military community together. It is in this sense of community that is the foundation for combat readiness.

Different people will give it different names—good morale, esprit de corps, unit cohesion—but regardless of what label you may choose to apply, combat readiness starts with the military community, and the exchanges, commissaries and MWR programs are important pillars of that community. It is because of this larger vision of these programs that I am committed to the methodical examina-

tion of any proposal for the potential to disrupt the current status of these programs.

The rumor mill is awash with the talk of proposals to restructure, privatize and to somehow cut these programs. To a large extent, these proposals center on simply the need to save money. And let me say clearly that I believe it would be a terrible mistake, a tragic mistake to disrupt these programs merely to save a few dollars.

Money is important, I understand that, I recognize it, but the priority consideration for these programs must be service to that military community. There is far too much at stake to allow decisions on these programs to be driven solely by fiscal and financial calculation.

In addition to the statements provided by our witnesses today, the subcommittee has received statements for the record from the Naval Reserve Association and Air Force Sergeants Association. Without objection, I would ask that those be included in their entirety in the record.

[The statements referred to can be found in the Appendix on pages 88 and 92.]

And let me add a couple other closing comments. I mentioned a day of firsts. This is the first hearing of this subcommittee for many, many new members in their first term of office, and we are honored to have at least two of those members with us today.

And I am delighted that people who came to this committee, and I can tell you because I am on the Steering Committee, it was a fight to get on the Armed Services Committee and thereafter to want to be involved in MWR programs. It serves them very well, and I think it speaks very highly of their commitment, and we are thrilled for them to be here today.

I also want to say to the MWR community, when the restructuring that we effected in the full committee occurred, there was understandably a great deal of concern about the restructuring of the MWR panel, of which I had the honor of serving as chairman before, of which Mr. Meehan had the, I will say honor, I will let him speak to that, but the opportunity to serve as—he certainly served honorably—the opportunity to serve as the ranking member.

And all of us understand those concerns, but I want to assure the community today that in no way was that intended to be a slight to the community; rather, we felt that the restructuring would allow us to focus on this in a context which is so important, and hopefully it would not become lost in our efforts, our necessary efforts, to look at the entire personnel picture.

So all of us on this subcommittee today recognize that charge, and I want to promise you, as the chairman but more important as a member, we are all devoted to the cause and to the work that you have advanced so very, very ably, so very effectively in years past. And that is why you are getting two hearings, not just so you will feel better about it, but also so we can learn more about it.

So before introducing our witnesses, our designated ranking chairman, Dr. Vic Snyder, as some of you may have heard, is recuperating from a medical procedure. I am told he is doing well and we are all delighted to hear that. But today we do have two

senior members of the minority with us who have extensive experience on the committee and on the MWR Panel.

Mr. Meehan has either drawn the short stick or the long stick, I do not know which it is, to sub for Dr. Snyder for this moment. And I mentioned, Marty, and I served I think very amicably in the past, and I am delighted that he is filling in for a great guy like Vic in the meantime.

So with that, I would be honored to yield to Mr. Snyder for any—or excuse me, Mr. Meehan—well, I would be delighted to yield to Vic if he was here, but he is not—Mr. Meehan for any opening comments he would like to make.

Marty.

STATEMENT OF HON. MARTY MEEHAN, A REPRESENTATIVE FROM MASSACHUSETTS

Mr. MEEHAN. Well, thank you very much, Mr. Chairman. It is great to be back working with you. Let me say for the record that I was humbly honored to be the ranking on the MWR Panel, and because of that experience look forward to continuing to be very involved. And as you had indicated, Congressman Snyder recently underwent surgery. He is at home recuperating, and he is anticipating returning soon, and I look forward, as I know all of us do, to his speedy and healthy return.

Sitting here today I cannot help but remember my first session years ago as a ranking member of the MWR Panel, and what impressed me the most at the time was the diversity of the programs and the critical role that these activities play in the services and also in the lives of the patrons. Today, I am still impressed but I also have a better understanding of the tensions that are related to the Department of Defense managing those activities and the importance of Congressional oversight in protecting those benefits.

While much has been done to improve the perceptions of the quality of the benefit, we are not at a point where we can declare compete victory. I am encouraged by the results of the recently released 2002 Active Duty Status of Forces Survey, which assessed both MWR programs and military resale activities. That survey again showed the high value that authorized patrons place on these programs.

With the significantly increased deployments of the reserve component, I am sensitive to the need to relook at the use of military resale activities by the reserve component. I would like to hear from the witnesses on that issue.

Mr. Chairman, I am also very concerned about the ability of the services to sustain the high quality commissary and MWR activities available to military family members. At a time when this nation is asking service members to make more sacrifices, their quality of life activities appear to be vulnerable to erosion.

While no appreciable downturn has been detected in the quality of the MWR benefit, I am concerned about any reductions in the appropriated funding to support these activities. Specifically, appropriated funding for category A and B, child care centers and fitness, is being scrutinized as potential sources of funding for other activities. At the same time, anticipated dividends from the reve-

nue-producing activities will be less because of deployments and increased security.

Finally, I want to express my reservations about the recent committee reorganization. By not reappointing the MWR Panel, the committee, it seems to me, has inadvertently sent a message that these activities are less important today than in the past. And I hope that today's hearing and the future hearing will correct this mistaken message.

But, again, Mr. Chairman, I thank you and look forward to the testimony from the witnesses.

Mr. MCHUGH. Thank you very much, Marty.

I would ask the other members in attendance, and it is only a suggestion, that given the lateness of the hour, if any have statements they would like to make, perhaps those could be submitted for the record. If you think it is contrary to what you would like to do, I would certainly be happy to yield to you. Okay.

Let me just make one more point and we will get to the other members. But the gentleman on my right, your left, Tom Cole, a freshman who has been both selected and has agreed to serve as the subcommittee's vice chairman, the gentleman from Oklahoma, Tom, thank you for being here.

Let me just introduce the panel. We have, and I am going to read them in the order to which they were given, and as I look, I think they kind of coincide, and you do not need to change your seats if I read somebody out of order.

But Lillie Cannon, Deputy Director of Government Relations, National Military Family Association; Joe Barnes, National Executive Secretary of Fleet Reserve Association; Richard D. Murray, president, National Association of Uniformed Services; Lloyd Johnson, Vice Chairman of the Armed Forces Marketing Council; and Boyd W. Raines, Chairman of the Board, American Logistics Association.

Lady and gentlemen, your statements, of which I have read each one, have been received in their entirety and without objection I would ask that they all be submitted in their entirety for the record. Hearing no objection, so ordered. So we would start from left to right.

I want to again welcome you all and appreciate both your work and your initiative and concern and effort with respect to being here today. And I would ask to the extent that you feel it is appropriate if you could summarize your comments so we can get to the work of the panel.

But, Ms. Cannon, thank you so much for joining us, and we will turn our full attention to you.

STATEMENT OF LILLIE CANNON, DEPUTY DIRECTOR, GOVERNMENT RELATIONS, NATIONAL MILITARY FAMILY ASSOCIATION

Ms. CANNON. Thank you. Thank you, Mr. Chairman and distinguished members of the subcommittee for the opportunity to present testimony on behalf of The Military Coalition (TMC). Morale, Welfare and Recreation Programs are the foundation of the military community and a readiness force multiplier. The readiness

of our military is intricately linked with the strength of the military community.

MWR programs draw beneficiaries to that community, promote esprit de corps, enhance educational opportunities and provide support during times of high Personnel Tempo (PERSTEMPO). Military community members constantly rank MWR programs among their most valued benefits. Service members view MWR activities as a link to home and a breather from laborious duty. Their families depend on MWR for support and for social, educational and recreational activities that are inexpensive.

Service members and their families feel the strain of increased operational requirements in support of our war on terrorism. Family center staff, chaplains and other support personnel are essential in the transition to military life for new arrivals. Financial counseling, parenting classes, community orientations and volunteer opportunities quickly infuse the family into the military community.

The Sergeant Major of the Marines stated that when Marines deploy they depend upon the Corps to support their families. These service members and their families rely heavily on MWR programs to ease the strain of separation and provide assurance that the family is being cared for.

The greatest morale challenge for the deployed service members and their families is communication. E-mail, video teleconferencing and phone banks enable service members to maintain connectivity to home. Although the services are increasing Internet access, the TMC remains concerned about continued reports of the high cost of phone calls to our military families when the service member is deployed.

Increased installation security and deployment in support of the war on terrorism continues to challenge the Department of Defense (DOD) and the services in providing morale and welfare programs for deployed service members and their families. Installation security in the past year has made it difficult for beneficiaries living off the installation to access MWR facilities. The Military Coalition is concerned that the further increased security anticipated in the very near future will result in another fall-off in the use of MWR facilities, thus restricting the generation of funds to support other installation activities. The resulting lower revenues may force cut-backs in key recreational and support programs. TMC encourages Congress to provide the services with the funding for MWR programs and to ensure that programs and services are continued at an acceptable level despite downturns in MWR revenues due to deployments or other security alerts.

Readiness of the total force in today's environment depends on proactive leadership and outreach to all our service members and their families. National guard senior leader spouses tell us that their state and unit family program coordinators require additional resources in order to provide the assistance needed by geographically dispersed families.

All guard and reserve families, regardless of location, must have access to family readiness programs. These programs are key and essential in helping service members and families deal with their transition to active duty and the emotional and financial stress caused by increased deployments.

The Sergeant Major of the Army stated in recent testimony that in 2002, 27 percent of enlisted soldier parents lost duty time due to lack of child care, and this creates our readiness issue. Although the military child care system is the national benchmark against which other programs are measured, TMC sees some continuing challenges for DOD and the services.

One issue is the difficulty in finding staff for some centers, especially in Europe. Another issue is the inability of child development centers and family child care homes to meet the needs of families living off the installation and of reserve component families. TMC urges Congress to provide the resources necessary to ensure that support is available for all families of all service members called to support contingency operations.

Mr. Chairman, as you know, we are asking our military service members and families to do more with less. Quality of life programs are paramount when we place added demands on our military families and our military members. These demands require a change in methods of delivering programs necessary for the readiness of our military forces and their families.

The Military Coalition is grateful to the subcommittee for its oversight of MWR programs. MWR activities are vital force multipliers as we face uncertain challenges. Thank you.

[The prepared statement of Ms. Cannon can be found in the Appendix on page 35.]

Mr. McHUGH. Thank you, Ms. Cannon.

Mr. Barnes, Fleet Reserve Association. Welcome, sir.

STATEMENT OF JOE BARNES, NATIONAL EXECUTIVE SECRETARY, FLEET RESERVE ASSOCIATION

Mr. BARNES. Thank you, Mr. Chairman, Mr. Meehan, distinguished members of the subcommittee. The 33 member organizations of The Military Coalition thank you for the opportunity to express the Coalition's views concerning the commissary benefit and the military exchange systems. I will briefly summarize several issues with regard to these benefits.

The Defense Commissary Agency (DeCA) should be adequately funded to maintain the benefit at the current level. The annual appropriation is a sound investment that contributes not only to its patrons' quality of life, but to readiness and retention while strengthening the sense of community within the services.

During testimony presented to the MWR Panel last year, the Coalition recognized the Defense Commissary Agency's impressive reform initiatives that included improved management practices and operating cost reductions on the revitalization and protection of the surcharge account.

We also expressed concern about potential negative impacts due to the budget cut and the elimination of numerous full-time staff positions. Despite these concerns, the coalition notes that so far, there appears to be little evidence of significant negative impact on customer service. Something also reflected in the recently released General Accounting Office (GAO) study and generally favorable DeCA customer survey results.

The Coalition appreciates these achievements and DeCA's continuing commitment to maintain and improve customer service

while achieving greater efficiencies. However, we must caution the agency to constantly monitor the impact of reform initiatives on customer service, store operations and employee morale.

The Coalition also would like to take this opportunity to restate its strong commitment to maintaining the commissary benefit as an integral part of the total military compensation package and its continuing opposition to privatizing the benefit. The intangible and highly valued aspect of this benefit is not quantifiable solely in monetary terms.

Now more than ever our Nation relies on active duty guard and reserve personnel to defend our borders, ensure our security and sustain our interests throughout the world. These personnel are increasingly important to operational commitments, and the Coalition supports their unrestricted access to commissaries to include gray area retirees.

The commissary and exchange benefits are consistently ranked as top quality-of-life benefits. The commissary can save in excess of 30 percent on groceries, and purchases by exchange patrons generate funds for important MWR programs.

Over the past decade, the Army and Air Force Exchange Service (AAFES) and Navy Exchange Command (NEXCOM) sales have generated billions of dollars in support of MWR programs that are essential to maintaining a high quality of life for military personnel and their families plus military retirees and survivors. And in support of deployed service members, AAFES operates field exchange operations in remote locations, while NEXCOM goes where the Navy goes, offering needed merchandise and services in ship stores and other facilities.

The exchange systems are responsive to the needs and concerns of young families and single service members with limited budgets, as well as retirees who are the focus of special appreciation programs. These initiatives, coupled with online marketing programs, expand access to products and services, especially for reservists and retirees who may not live near military installations.

With regard to Base Realignment and Closure (BRAC) closures anticipated in 2005, the Coalition again stresses the importance of evaluating the impact of closures on guard and reserve personnel and military retiree and survivor patrons. BRAC actions usually result in the closing of commissaries, exchanges and MWR facilities and contribute to resentment and frustration for beneficiaries, especially in the retired community.

Thank you again for this opportunity to present the Coalition's views on these important programs.

[The prepared statement of Mr. Barnes can be found in the Appendix on page 35.]

Mr. McHUGH. Thank you, Mr. Barnes.

General Murray, welcome.

STATEMENT OF MAJ. GEN. RICHARD D. MURRAY, USAF (RETIRED), PRESIDENT, NATIONAL ASSOCIATION OF UNIFORMED SERVICES

General MURRAY. Thank you, Mr. Chairman, for allowing me to testify for the National Military and Veterans Alliance on behalf of DOD's number one asset—our military personnel. The military re-

sale system is the most misunderstood activity in all of government, especially the Pentagon. No one takes the time or effort to understand the operation and its purpose.

When I was in the exchange system in 1983, the Chief of Staff of the Air Force informed me that he was going to be in the F-16 plant in Fort Worth, Texas and would come to Dallas for a half a day for me to tell him about the exchange operation. After briefing him for almost four hours and answering all his questions, I asked him why he wanted the briefing and if we satisfied the purpose of his trip. He said, "Yes, because every time the subject of exchanges comes up in the Pentagon, everybody in the Pentagon is an expert on your operation. So I decided to come and see if they knew what they were talking about, and now I know they do not."

One other brilliant general during the tour was Major General Schwarzkopf at Fort Stewart, Georgia. In the 1980s, he told me to come see him and tell him why we did not have credit cards in the exchange because his troops were getting ripped off by some local stores charging them 24 percent interest on TVs and other high ticket items at very high prices. With the support of General Schwarzkopf, the former MWR Panel here in the House, we stopped our troops from getting ripped off by approving credit cards for purchases in the exchange.

Just a few more comments and then I will shut up. The commissaries and exchanges are not a grocery store or a department store. They are two activities in DOD that are unique to the needs of our military personnel and families, and there is no way you can transfer these two operations to the civilian sector without destroying the purpose for which they were established or the value they provide to our troops no matter where they are located.

Example, in my opinion, a large food chain could operate 20 percent of our commissaries that make up 80 percent of the sales better than DeCA because they have great experience in operating large grocery stores. However, prices would go up, and they would want to close 80 percent of the commissaries because they only make up 20 percent of the sales or charge DOD more for operating small commissaries than we are spending now for the operation of all commissaries.

Now for my most important point and should also be DOD's as it relates to the commissaries. The commissary is a factor in the pay of military personnel. I was a bean counter, that is a budget officer, for the Air Force, because I had an accounting degree and I certainly understood that the commissary enabled me to make my salary go further because I did not have to spend as much for food. I knew it was part of my pay, and I knew that the reduction and the support of commissaries would result in a cut in my pay or the inability of the commissary to provide the same level of service.

Now, for my last point, the exchanges give 100 percent of their profit for MWR activities and construction of new facilities. No other operation or retail merchant in the world can match the success of this operation with little support from the taxpayer. Here is a list of over 1,600 funded projects from the exchange profits for small bases that the commercial corporations would not fund because the return on the investment does not meet commercial accepted profit criteria.

The Navy and Marine Corps exchanges provide the same great contributions to their MWR operations as the Army and the Air Force exchanges. No commercial retail corporation would ever consider providing this type of benefit to our troops without taking some of the profit.

Finally, if I have confused anyone, I will be glad to slow up and explain that the commissaries and exchanges are the two best investments in all of government for the American taxpayer, because they take care of the greatest fighting force in the world.

We also are supported by the best vendor reps, these two on my left and many more in back of us, for many, many years, and we owe them a great deal for their sacrifice.

Finally, I would like to recognize on the record the service of Colonel Chuck Partridge who everyone in this audience has benefited from his efforts for the past 42 years. Could we have Chuck Partridge please stand?

[Applause.]

[The prepared statement of General Murray can be found in the Appendix on page 54.]

Mr. MCHUGH. General, are you done? [Laughter.]

Yes? Note to self, Dick does not need a microphone. [Laughter.]

I now know how you became a general, Richard. Thank you very much for obviously very interesting and pretty frank testimony by Washington standards. I appreciate it.

Mr. Johnson, welcome.

STATEMENT OF LLOYD JOHNSON, VICE CHAIRMAN, ARMED FORCES MARKETING COUNCIL

Mr. JOHNSON. Thank you, Mr. Chairman. That is a little bit of a hard act to follow, but I am going to give it a run.

Mr. Chairman and members of the Subcommittee on Total Force, good afternoon. Thank you for the opportunity to express our views on a variety of important issues concerning the military resale system.

The Armed Forces Marketing Council, otherwise known as the AFMC, is a non-profit league of privately owned small businesses who represent over 400 well-known manufacturers of consumer products to exchanges, commissaries and Navy and Coast Guard ships afloat. We exist because we bring these products to this unique market in a more cost-effective manner for most manufacturers than other strategies that are available.

Our views are thoroughly explained and supported in a detailed written document that we have submitted for the record. In the interest of time, I will attempt to summarize those views in the next four to five minutes.

Let me start with the basic question of whether or not providing and managing commissaries, exchanges and ship stores represents a core competency for the Department of Defense? As you know, that has been an issue and a question.

Our answer is a resounding yes. Why is that? There are several reasons. The resale systems are an important part of military compensation because of the low prices they offer versus outside-the-gate retailers. Commissary savings, as has been noted, are at about

the 30 percent level, and exchange savings approach 20 percent. Exchange earnings also help support MWR activities.

Studies show that this economic benefit also plays a significant and sometimes crucial role in recruitment, retention, readiness and the sense of community so vital to military families who move frequently and often find themselves in harm's way.

Trained and motivated volunteer people are our most important asset in the fight against terrorism and other enemies that threaten the safety and freedom of all Americans. In no way should this vital quality-of-life element be outsourced to private firms or be diminished in any way due to lack of funding or proper attention. In our written statement, we explain in detail why privatization will degrade savings, reduce overall compensation and destroy a vital part of the fabric of military life.

To that end, we respectfully request that Congress act to strengthen Title 10 of the U.S. Code to ensure the continued viability of what most assuredly should be a core competency for the Department of Defense. Prompt passage would reassure military members and their families that our country cares at a time when they are once again poised to defend the American way of life.

The AFMC is fully supportive of any change in the resale system that promises to bring more efficiency and better overall service to the military community of active duty members, retirees, reserve and guard volunteers and their families. But we strongly oppose several ideas that, in our view, would clearly degrade and even threaten the existence of this benefit.

For example, the introduction of variable pricing to commissaries might well reduce the appropriated fund subsidy but it would clearly and unequivocally raise prices, in effect, decreasing military compensation. Mr. Chairman, that is the wrong thing to do, we believe, especially to the 80 percent or more of active duty people who live on very tight salaries and budgets.

The proposed introduction of private label merchandise to commissaries at marked up prices is an equally flawed idea designed to raise revenue in order to decrease the commissary appropriation. Doing so would violate a long-standing practice where commissaries essentially sell at cost. It would raise administrative costs for DeCA and interfere with an already successful best value program offered to DeCA patrons on brand name goods.

Nor would the introduction of private label goods help small businessmen, as the GAO has contended. The fact is most private label goods are manufactured by companies that clearly fall outside of the usual definition of small business.

Another proposal concerns exchange services integration. To date, after several studies, we have seen no conclusive evidence that operational savings, if any, would justify the turmoil and long-term interruption of customer service involved with consolidating complex and often very different resale organizations that currently have no common information technology systems, dissimilar cultures and even different missions and responsibilities.

As previously noted, we support changes that will bring added efficiencies and improved service and value to the patrons. One example of such action would include an improved method to provide vendor stocking in commissaries. The current system is not nearly

as effective as it should be. We enthusiastically support the director of the Defense Commissary Agency, Major General Michael Wiedemer, and his commitment to finding a workable solution. Industry will clearly work with DeCA to try and come up with that.

Likewise, we urge the lifting of all restrictions on the kind of merchandise and the prices at which they are offered by exchanges. In particular, there is high demand within the military community for larger and newer types of TVs, an expanded availability of furniture and upscale jewelry. Lower exchange pricing accompanied by much lower exchange credit terms than are available outside the gate will afford our military families many millions of dollars in well-deserved savings. The impact on outside-the-gate retailers would simply be minuscule.

Mr. Chairman, that concludes my remarks, and at the appropriate time, I would be glad to try and answer any questions that you or the other members might have. Thank you.

[The prepared statement of Mr. Johnson can be found in the Appendix on page 62.]

Mr. MCHUGH. Thank you very much, Lloyd.

Mr. Barnes—Mr. Raines. Why do I keep doing that? I apologize. Mr. Raines.

STATEMENT OF BOYD W. RAINES, CHAIRMAN OF THE BOARD, AMERICAN LOGISTICS ASSOCIATION

Mr. RAINES. Thank you, Mr. Chairman. Please, carry the condolences and sincere best wishes of everyone in this room back to those families of those brave young soldiers that were killed yesterday.

Mr. MCHUGH. Thank you.

Mr. RAINES. And tell them from a lot of citizens that we appreciate their sacrifice and we grieve with them.

Mr. MCHUGH. Thank you very much, sir.

Mr. RAINES. And thank you for allowing us to be here today to share our views on the issue at hand, Mr. Chairman. I am here today as chairman of the American Logistics Association (ALA), an industry trade group comprised of companies that are actively engaged in the providing of goods and services to the military resale and MWR activities.

The membership of our association is comprised of both large and small businesses, with over 55 percent of our members being from the small business arena. In addition to supplying goods and services, our members also employ several thousand military dependents and retirees in both full and part-time positions around the world.

Not only am I here today to speak about the relevance and engagement of our association and its members, most importantly I am here today as an advocate for enhanced quality of life for our members of the military.

Mr. Chairman, the ALA, as others have stated in this room, believes that taking care of our military service members and their families should be a core competency that the Department of Defense pursues very vigorously. It is ALA's observation that the commissary, exchange and MWR functions greatly contribute to the quality of life of our military members. These quality-of-life pro-

grams, as you have pointed out, sir, directly impact retention and readiness.

Each year, the Defense Commissary Agency delivers savings of approximately \$2 billion to the military community. For every dollar of appropriation that you, the Congress, grant, the military community receives \$2 in value. Mr. Chairman, I wish every program supported by Congress had that type of return on investment. As such, Mr. Chairman and distinguished members of the subcommittee, let there be no mistake, ALA supports the continuation of full appropriated funding for military commissaries.

Each year, the exchanges provide hundreds of millions of dollars in dividends to the MWR activities to support day care centers, youth programs, fitness centers and recreation programs. ALA supports full appropriated funding also for all MWR mission-sustaining and community support programs since these programs also impact readiness and retention.

Exchanges also provide much needed support to our troops stationed around the world to include those deployed as a part of Operation Enduring Freedom. Tactical field exchanges offer our service members a way to remain connected with home while they are deployed in dangerous and hostile environments.

However, Mr. Chairman, despite all the good works that are done by our commissaries and exchanges and MWR activities, we are highly concerned. We are highly concerned that support for these programs is eroding within the Department of Defense. We are concerned about continued budgetary pressure from within the department that would reduce funding now provided to resale and MWR programs.

As an example, last November, a program budget decision was drafted that would divert \$109 million from the commissary surcharge fund and transfer that amount into operational accounts. Fortunately, Congress had previously taken measures to prevent such an occurrence, and the proposal was withdrawn. This example, however, illustrates the need for your continued oversight of these important programs.

We also have concerns about the proposals to introduce private label products and variable pricing strategies as a means to fund commissary operations. We believe that these initiatives will result in increased costs to the patron and a degradation of the current benefit.

Mr. Chairman, we believe that the Congress has before it an opportunity to ensure that the benefits of our military members and their families, something that you have long supported, remains viable. We do also support Congressional action to strengthen Title 10 of the United States Code as it relates to these issues.

At present, there is no statutory provision that identifies the authorized beneficiaries of commissaries, exchanges and MWR activities. ALA supports equitable access to these benefits for the entire military community. Not only do we support continuation of shopping benefits for the current recipients, we support extension of full commissary shopping benefits to reservists and national guardsmen to include the gray area retirees.

Since reserve and national guard components are such an integral part of the force structure, we believe they deserve full bene-

fits. Further, ALA supports extending commissary shopping privileges to all DeCA employees as well.

Mr. Chairman, ALA, too, requests that the Congress consider making an enduring commitment to the military community to provide these benefits afforded by commissaries, exchanges and MWR activities. We believe our military community is deserving of this commitment, especially considering the current world situation and the sacrifices being made on a daily basis by our families.

Without your continuing support and the support of the entire Congress, we believe that these benefits will be eroded and our service members and retirees will suffer as a result. Thank you, Mr. Chairman.

[The prepared statement of Mr. Raines can be found in the Appendix on page 78.]

Mr. McHUGH. Thank you, Mr. Raines. Thank you all.

I want to get right to the members who really made an extraordinary effort to be here today, Mr. Cole and Mr. Saxton, who are very senior members of the full committee and Mr. Saxton is chairman of our Terrorism and Unconventional Threats Subcommittee, and of course Mr. Meehan and Ms. Sanchez, a veteran of both the committee and the subcommittee on her personnel nomenclature, and of course one of the other new members, Ms. Bordallo from Guam.

So I want to ask one quick question on a specific that both Mr. Johnson and Mr. Raines brought up, and then I will yield to the other members.

When I understood that MWR would again be under this—or would be under this subcommittee, I made an effort, along with the staff, to try to bring myself back up to speed, so to speak, and I was struck by what I was seeing. And I was reminded of Yogi Berra's old adage, "It is deja vu all over again." A lot of these issues were issues that we were dealing with when I had the honor of serving as chair of the panel and Marty Meehan and others were members of it as well.

The last time the Armed Services Exchange Regulation (ASER) was expanded it was when we were able to effect a significant but in the scope of things rather small change. We were dealing with the privatization potential there and I have heard you talk about that today. The last time the Guard and Reserve visitation opportunities were expanded was at the time that we worked on that issue.

We are also dealing with a situation called private labels, invariable pricing, and there was a little product line, I believe at the time, called "Always Home," but we are back at it. Mr. Johnson and Mr. Raines obviously commented upon their perspective on both of those issues, and I think they are very closely related, but I wanted to provide the opportunity to the good folks on the left, our left, side of the panel, Ms. Cannon and Mr. Barnes and General Murray, with the opportunity.

From the patron perspective, what do you think the attitude or the value of both the introduction of private labels and the imposition or opportunity for variable pricing might have? Is that something your folks and you support or do you have concerns, just so we can fill out the record, whomever wants to go first.

Mr. Chairman, I will—

Mr. McHUGH. Mr. Barnes.

Mr. BARNES [continuing]. I will not profess to have expertise on this issue, but given what we have heard from our industry experts, it appears that both of these has the potential of eroding the benefit and possibly having a negative impact on the savings and the progress that has been made by DeCA to increase average savings above the 30 percent level. So, obviously, there would be concern at that point.

Our support or our position is maintaining the benefit at the current level. And as I understand it, this has been looked at, as you referenced, in the past; this is not something new.

General MURRAY. Absolutely. It gives variable pricing, and the only way I would agree to having the no-name brands would be if it was at the same quality and at the same price. But you could also get the stock assortment in the commissary so high that it would be detrimental to enabling them to provide all the food in all of the areas, because we do have limited space. So you would have to look at that on an individual basis where that no-name brand has proven that they are the best in the world and they could provide those goods all over the world.

Mr. McHUGH. Yes. I suppose if there were no savings, you would not need them, by definition.

Yes, Ms. Cannon.

Ms. CANNON. Mr. Chairman, the National Military Family Association feels that there should be no erosion to the benefits that our military families are privy to at this point. So any initiative that would create any erosion to any of the benefits we could not support that, and we know that our beneficiaries would have a lot of heartburn with that.

Mr. McHUGH. Maybe we can get a store brand name and it is inexpensive.

Ms. CANNON. Yes.

Mr. McHUGH. Mr. Johnson and Mr. Raines, I want to provide you an opportunity to add if you would care to.

Lloyd.

Mr. JOHNSON. It seems to us that the main reason that variable pricing and the introduction of private label merchandise to commissaries has been raised is because those who propose that see that as an opportunity to raise money, in other words, use the sale of those products to create a margin, and then that margin can in turn be used to reduce the appropriation. But when you raise margins, you raise prices, you degrade the benefit. So there is just no way to have variable pricing and the introduction of private label that would, the thinking is that that would be sold at a profit, and maintain the benefit as we know it today and as the soldiers and sailors and airmen and all know it. I mean you would get a tremendous backlash from uniformed personnel if they realized what was happening. And this is surely not the right thing to do.

Mr. McHUGH. Boyd, I do not know if you want to add anything.

Mr. RAINES. Yes, sir. I have two observations. When we looked into this issue of private label we came to two conclusions. Number one, contrary to what the GAO study concluded, we found that 53 percent of the current suppliers to DeCA are identified as small

businesses. Part of the premise in the GAO study was that by adding private label, you would increase the opportunity for small business to participate in that arena.

Our view indicates, and our review of this indicates, they would simply displace other small manufacturers, because you need those name brand products in the commissary to form your benchmark. And the way I understand private label to work is you need a pricing gap between your national brand and that private label.

Well, in the commissary system, as we all know, those national brands are sold at cost in the commissary, so your pricing gap is very small to begin with. So in order to have enough room to make the private label attractive and at a margin, you have got to bump up those national brands. And at that point, as my colleagues on the panel have said, you are into a variable pricing scheme. And you do look at it as a funding mechanism for the commissary, and that comes directly out of the patrons' pockets. And I, too, believe that they would object over that circumstance.

Mr. MCHUGH. Thank you all very much.

Mr. Meehan.

Mr. MEEHAN. Thank you. There has been some discussion about expanding the commissary benefits for members of the reserve. I am just wondering what your take is on that. I think presently reservists can shop at a commissary two days a month. The reservists, obviously, are being asked to do all kinds of things that they have not in the past. Can I have a brief view that any of you have on this subject? Is it appropriate to expand when reservists can use the—

Ms. CANNON. Sir, I would like to comment on that. From our standpoint and from the reserve families that we talk to on a day-to-day basis, those that live in close proximity of the commissaries would definitely love to have the opportunity to shop more than the two allotted times that they can go to the commissary.

They feel that as a member of the total force that they should not be penalized because they are reservists, that their spouses are fighting alongside the active duty, and that because of some of the financial issues that they are facing because their spouses are called to active duty, that the commissary benefit allows them to offset some of the financial issues. So we would definitely support doing away with that limitation for them.

Mr. MEEHAN. Yes. I have a reservist who works for me in my district office who has been deployed, and the financial sacrifices associated with deployment are enormous.

Ms. CANNON. Yes.

Mr. BARNES. Excuse me, Mr. Meehan, I would just echo and support the comments from Lilly. The coalition has a long-standing position on this of supporting unlimited lifting the restrictions for all guard and reserve personnel.

I would add that with regard to the proposal which has been floated, the coalition does not take a position on allowing employees to shop at the commissaries, but the immediate response to some of our member organizations was the disparity between limiting guard and reserve access on one hand while moving to open shopping privileges to the employees who are not currently authorized to shop there.

General MURRAY. My comment, and I wish somebody in the audience would tell us, of the reserves that have been called to active duty cannot their families shop every day?

Mr. BARNES. Yes.

Mr. JOHNSON. I believe they can, but I want to support the folks that said that they ought to have ongoing privileges whether they are on active duty or not. As you know, reservists, you know, they have one weekend a month of duty and they have two weeks a year and occasionally additional duties. They get paid for that, but as we all know, that is a rather modest sum that they get paid.

The erasing of all restrictions on shopping privileges on base I think is absolutely the right thing to do for reservists and Guard people, even though they are not called up to duty. Because when they get called up to duty they get those privileges. But while they are waiting to be called, there is still that certain amount of extra devotion that they are giving to their country by volunteering to be in the reserves, and the pay is pretty darn low.

And so giving them the privilege of shopping on base would not cost the U.S. government hardly a dollar, because the facilities are already there, the goods are already on the shelf. But it would be greatly appreciated by those reserves and guard people.

Mr. RAINES. Sir, if I may, the operative word, I think, is total force. If we consider those components to be part of the total force, if truly our doctrine has changed with how we look at our armed forces and the necessity to call upon the reserves more and more frequently, this is not something that happens occasionally, it is something that happens very frequently, why should they be treated as second-class members of our military community?

I think the concept of military community embraces those reservists and those active guardsmen who are putting their lives on the line in lots of places around the world, and they can be called up with a moment's notice. And so, yes, sir, we believe they deserve the benefit without question.

Mr. MEEHAN. One other brief issue. Over the past several years Congress has lifted some of the restrictions on the sale of televisions. And I remember I was ranking member at that time and felt that, boy, if I had a 35-inch screen—see, I am a big NFL fan and I had a 35-inch screen at the time, and I thought—

[Laughter.]

Mr. MEEHAN. But I thought to myself, well, we at least ought to raise it to that. I mean I enjoy my 35-inch screen. But now a few years has passed, I now have a 40-inch screen, and my understanding is that it is still at—is it 35 or 36 inches? What is it?

Mr. JOHNSON. I believe it is 36 inches.

Mr. MEEHAN. Thirty-six inches? Can you comment on this issue, generally? I mean I do not know why we have these kinds of restrictions, but, specifically, respond to claims that lifting the restrictions will increase sales that will result in the drive—will drive out or hurt local mom-and-pop stores and drive them out of business. My own sense is today it is the very big stores that actually sell these large television sets.

Mr. JOHNSON. Absolutely. The mom-and-pop stores are of course a dying breed. Maybe that is another different kind of an issue, but the fact is that is happening regardless of this issue. We believe

that those restrictions should be lifted all together. There is a demand among uniformed personnel and their families for upgraded TVs, and they cannot get them in the exchange.

That costs them money to go outside the gate in two ways. Number one, higher prices outside the gate, and, number two, much higher, double, the credit rates. As you know, the Star card that is the main credit card for the exchange services, I believe the interest rate is about nine percent now. Compare that to your Visa and Mastercard in your pocket, and that is about 18 percent, I believe, or sometimes higher.

And the other thing is a lot of military members cannot qualify for credit cards outside the gate in order to buy the kind of entertainment equipment that they would like for their families. So it is just penalizing our military families by forcing them to go outside the gate.

The amount of hurt that that is going to be put on retailers—first of all, it is very dispersed around the country, and, second of all, it is a tiny amount in the total perspective compared to the benefit of lifting those restrictions.

General MURRAY. I think it is a slap in the face for the military to be told that their exchange cannot sell the same thing that they are selling on the outside, and the location of the exchanges and the local merchants would benefit a heck of a lot more than they would lose from having that base in that location.

Mr. MEEHAN. I cannot imagine anyone who could not be at the game to miss Adam Vinatieri's kick when the Patriots were the world champions. [Laughter.]

But in any event, I know I watched it myself over and over, particularly after last season after we were beat by the dolphins. In any event, thank you. I hope that is an issue we can deal with candidly, particularly when you see the technology changing and you see that working families all over America have these large screen television sets, and our men and women and their families ought to have the same opportunity, it seems to me.

Mr. JOHNSON. And, Mr. Meehan, a related issue is this furniture issue.

Mr. MEEHAN. Yes.

Mr. JOHNSON. An argument could be made that furniture is even more important than TVs and—

Mr. MEEHAN. Depends upon the time of the year.

Mr. JOHNSON. That is true. But the availability of furniture is restricted by some sort of regulation that says the exchanges cannot devote the necessary space to the sale of furniture. Well, that sure enough is a restriction, and that is a tremendous penalty on these young families that are living on tight budgets to have to get their furniture outside the gate because the exchanges are not permitted to allocate the necessary display space for it. It just seems crazy.

Mr. MCHUGH. Marty.

Mr. MEEHAN. I am all set. Thank you.

Mr. MCHUGH. Thank you. I know where the potential spouses are in lifting the one-karat restriction on diamond rings. I am not sure where the military people are on that, but you make good points. It is a much different force today than it was just a few

years ago in terms of guard and reservists and those issues that Mr. Meehan and you just talked about.

The vice chairman, the gentleman from Oklahoma, Mr. Cole?

Mr. COLE. Thank you very much, Mr. Chairman. Great privilege for me to be here, and thank you very much for your testimony; very enlightening. I grew up in a military family, and it is a culture in a small town on a military base. It is not something that can be broken apart and calculated piece by piece.

Let me ask you this. Most of your collective testimony has been really, in a sense, defensive, things that you want, you are very interested in protecting and making sure are not compromised in any way. Let me ask you to kind of reverse your thinking a little bit and tell us two or three of the changes that you would like to make that would make life better beyond those that we have already discussed here in terms of lifting some of the restrictions on what can be sold at commissaries. Is it that good that—

Mr. RAINES. Mr. Vice Chairman, if I may, I think there are some opportunities, one of which Mr. Johnson did allude to, and that is to improve the stock availability of products on the commissary by initiating a shelf-stocking test to improve that process. So there are certainly process improvements that are out in front of us.

And we in industry are anxious to partner with the Defense Commissary Agency and the exchanges or other appropriate agencies to try to seek those improvements and efficiencies, because that is good for the patron, and it is good for the resale system, and it is good for our industry. So there are opportunities certainly in that regard.

And perhaps those opportunities also spillover into some safety areas. I am very concerned about the safety of the food source. That is going to become a very important issue, I am afraid, in the near future, not only abroad, but also here in the United States. So I think there are process improvements that we need to work together on to try to improve the situation for the future.

General MURRAY. I recommend that we contact the exchanges and have them provide us a list of the items that put them at an advantage and the items that they cannot add to it, rather than those of us that are not close to the exchange system. But, of course, you all could provide it, but I think we ought to have the exchanges, the three service exchanges tell us the items that they have a disadvantage because they do not have them, especially the ones in Oklahoma. [Laughter.]

Mr. COLE. Thank you, General. Now I know why you are a general.

Mr. BARNES. Congressman, I would add to the previous comments some focus on additional hybrid or BX-Mart facilities, particularly at BRAC sites. We are aware of some locations around the country where there is a great deal of interest in having these stores open and what have you and looking towards the additional BRAC closures that are on the horizon some additional perhaps expanding the number of those stores, but I would just add that to your list.

Mr. JOHNSON. Perhaps you already know that the Major General Wiedemer of the Defense Commissary Agency is going to convene a meeting with his colleagues from the exchanges services to talk

about long-range strategic planning. And some of the things that I am sure they are going to be talking about are creative ways to make the shopping experience on base even better for military families than it is today.

And we are very supportive, industry is, of General Wiedemer's effort to bring those parties together to talk about some new thinking to make the shopping experience better. And it will be very interesting to see what comes out that meeting. I believe it is scheduled for May.

Of course, he could tell you more about this if you had the opportunity to talk to him about it, but there is going to be some new ideas emerge from that effort, and we in industry are very interested to see what does emerge and to be supportive of anything that makes the shopping trip better.

I also can say that they are trying to find ideas and creative ways to do this without spending more government money, and I think that is good. The appropriation for commissaries is substantial, it needs to be continued, but we need to create these new ideas without expanding that.

Mr. COLE. One further question, if I may, Mr. Chairman. Do any of you that are in the private sector into this arrangement conduct on any kind of regular basis the same kind of customer surveys, so to speak, that you would in the private sector to find out what that particular clientele really wants so that we actually are hearing directly back in some measured and scientific way from the people we are trying to serve?

Mr. RAINES. Let me speak to that, Mr. Vice Chairman, if I may. Our association annually partners with the Defense Commissary Agency through patron awareness outreach programs to get feedback from the community on those issues and to find out and identify those areas where the patrons think there can be improvement and to identify areas where we can encourage them to use the opportunity to shop more often.

So, certainly, those programs are in the works. We have had some success, and we have had, quite honestly, a few non-successes in that, but we have had some key learnings over time. That is, I think, characterized correctly as an ongoing process of continuous improvement as well as each of the services having their own measurement devices to measure the things you are talking about.

Mr. COLE. Thank you very much. No further questions.

Mr. MCHUGH. Thank you.

Ms. Bordallo.

Thank you, Mr. Chairman. First of all, I am a freshman Member of Congress, and I thank you very much for the opportunity to be on this subcommittee. I represent the people of Guam. Guam, of course, is known for its many military bases, and I grew up with military commissaries and exchanges. So I am pretty well-versed on the subject, and I do want to commend both The Military Coalition and the American Logistics Association for providing the testimony today and to know that you are watching out for our men and women in service.

During the short time that I have been a Member of the Armed Services Committee, I have heard many of the military leaders come before us to explain to us that their number one priority in

the military are the people, the men and women in service. And this is a benefit that I feel they deserve.

As many of you pointed out, the pay grades are very low, and they are struggling. They move a lot. It truly is a sacrifice on behalf of the families in particular.

I want to say that just a couple of years ago when I was lieutenant governor, I was invited to the Anderson Air Force Base military commissary. They had overhauled it and they invited me in to see the new look. And I will tell you, it looked like a Safeway market; it was beautiful. And so there are many new enhancements being provided in both the commissaries and the exchanges.

They are non-profit organizations, so I do not think we expect them to be making money. I mean they are to provide this as a benefit for our men and women in service and their families.

And in particular, I met Mr. Raines yesterday in my office representing the American Logistics Association, and what impressed me, Mr. Chairman, is that his organization is working with the private vendors so that they can provide some of the—is this correct, Mr. Raines, that you are looking for a partnership between the commissaries from the local community, not just bringing in food stuffs and other stock from off islands, say from off Guam, from the mainland? In other words, you are looking that they partner with local vendors that are from Guam; is that correct?

MR. RAINES. Yes, ma'am. It is my understanding that the Defense Commissary Agency has a program to allow local vendors to have access to the commissaries.

Now, as I was often reminded by your predecessor, Mr. Underwood from Guam, there are always greater opportunities to do so for the people of Guam.

MS. BORDALLO. That is right.

MR. RAINES. And, certainly, I am sure that when General Wiedemer comes here he will be glad to share with you some of their programs in that regard. Yes, I am aware of those programs, and as I said in your office yesterday, we are going to get you some information and some pictures of those products out in those stores on Guam so that you will have some firsthand information on that.

MS. BORDALLO. Yes. Well, I think this is good, the cooperation, to show that they are just not trying to underprice all the mom-and-pop stores. And I will share this with the members of the—the witnesses here and the committee, that many times outside prices are lower than the commissaries and the exchanges. We find that on Guam quite often. I have military friends that say, "Well, you know, I can get a better deal. They have got a big sale going on at K-Mart or somewhere." So it is not always that the prices are lower, but in most cases they are.

I also just again want to mention on the inclusion of others for privileges that I support that. As you said, it is a total force, and the veterans and the guardsmen, reservists, I think that is something that we should be looking at. But other than that, I think the commissaries and exchanges are providing a wonderful benefit to our men and women in the service, so I certainly support you.

Thank you, Mr. Chairman.

MR. COLE. Thank you. This is a heady and historic moment for me. I am now presiding over a congressional hearing for the first

time. Gosh, can I grab the gavel, Jim? If I may, let me yield to my good friend, the congressman from New Jersey.

Mr. SAXTON. Thank you, Mr. Chairman. Tom Cole used to help me when he was over at the NRCC and so it is a pleasure to see you——

Mr. COLE. Thank you.

Mr. SAXTON [continuing]. At your first presiding moment here on a subcommittee.

Hey, listen, I am not going to take a lot of the subcommittee's time, Mr. Chairman. I would just like to say that this is a pleasure for me to be here today. I have been on the Armed Services Committee for a lot of years. This is the first time that I have had the opportunity to deal with these issues on this subcommittee, and that is primarily thanks to our good chairman, Congressman Hunter, who oversaw the reorganization of the subcommittee structure on the Armed Services Committee. I think it was very productive and it gives me the opportunity to do something that I have always kind of wanted to do but never really had the chance to do it.

So I look forward to working with all the folks in this room, particularly my old friends Rich Murray and Chuck Partridge. And Rich and Chuck, if I do anything out of the way that you do not like, just tell Jim Guliana, who has also in the room, and he will tell his brother whose office is right next to mine back in Mount Holly, New Jersey, and he will take care of that. [Laughter.]

So with having said, I represent a district with a couple of great commissaries in it, and I have got 85,000 or 90,000 veterans who have settled around Fort Dix and McGuire Air Force Base, and many of those are in the retired community. And the commissary system is extremely important to them, as well as the active and reserve military folks from all around the country, not just New Jersey, of course.

So I look forward to this opportunity to work and provide for advancement in the system that provides great quality of life opportunities for military people.

Thank you, Mr. Chairman.

Mr. COLE. Thank you. It is like driving without your dad but he showed up. [Laughter.]

So, Mr. Chairman, I am going to turn it back to you.

Mr. MCHUGH. Did Mr. Saxton—he did.

Mr. SAXTON. I duly thank you for the opportunity to be here.

Mr. MCHUGH. Well, listen, Jim. I appreciate your coming. I know now I have a tough time in not knowing what you have asked. Let me just pose another question.

Some of you commented upon this in your oral testimony, but also a number of you commented upon it in your written testimony, and that is exchange consolidation. I have to be honest with you, if you just look at the surface of this issue, it seems to make at least some sense. Efficiencies of scale, the integration of a variety of things that happen, procurement, et cetera, et cetera, product purchase, et cetera, through a consolidated single exchange makes intuitive sense. But what makes intuitive sense does not always make common sense, I believe.

So I would like to get on the record your perspectives with respect to exchange consolidation for a unit as the case may be and if you see any benefits or what you believe is the other side of the equation is the case with the negative aspects of that would be. And I will just open it up.

Mr. Raines.

Mr. RAINES. Mr. Chairman, when assessing the feasibility of combining or integrating the exchanges, there are several obvious considerations. First of all, what are the savings and efficiencies, what are the costs, and what will be the impact on the patron, and what is the impact on the taxpayer?

Several years ago, the department commissioned a study by PricewaterhouseCoopers (PwC) on this subject at a cost of approximately \$7 million. The crux of that study was that most of the potential savings would come from inventory reductions, savings from combining common functions such as Information Technology (IT), personnel and the back room activities, and also increase buying power from being a larger organization.

Unfortunately, after much debate and discussion, there was a decision not to move forward on that initiative, and I think you understand why now.

Over the past several years, the exchanges have been focused on just-in-time inventory and have significantly reduced their on-hand inventories. As such, much of the savings that was identified in the PwC study have now been realized.

Second, without the involvement of taxpayer money, I do not know where the efficiencies go. Do they go to the patron? I do not know that because there was never a clearly defined patron benefit, and we believe that if we are going to embark on such an activity, we have to figure out is it good for the servicemember. And, frankly, sir, I do not know if it is or not. That deserves some study.

Third, when you look to integrating the exchanges, you do have to look at that cost. On the IT systems alone, PwC concluded it would cost, I believe this correct, \$198 million to implement that new IT system. Because the exchanges have gravitated toward their own systems, they are not compatible. So from our perspective, I sincerely question whether or not there is a cost savings at least in the near term with any sort of reasonable payout over a five-or 10-year period such that the efficiencies would be realized.

Mr. McHUGH. Anyone else care to—Lloyd?

Mr. JOHNSON. I think it is worth also pointing out that to combine those services would be an extraordinarily complex project. When DeCA was combined in 1991, we were only combining four different services with one store on each base, and there was a great commonality between those stores, and that was a very difficult, wrenching process to go through to create DeCA.

Some folks might recall how the thing almost crashed from a bill paying situation where DeCA just simply could not pay the vendors, and the vendors were threatening to stop shipping to the commissaries and the whole thing would have crashed. And that was a much simpler project in combining the exchanges.

I would tell you that the exchanges manage gas stations, convenience stores, name stores that have a variety of goods in it, restaurants, all kinds of things on base to put those things together

when there is no commonality with the information technology systems would be one extraordinarily difficult task.

And our concern is that customer service, as it exists today, would suffer badly in that transition. And the savings, as has been alluded to, are not that great anymore, because the exchanges found ways to save money without consolidating, and most of the savings that were identified have already been realized.

Now, you know, nothing is forever. Maybe some day this will make sense, but we have seen no evidence where it makes sense today to do that.

Mr. MCHUGH. Any on the patrons' side?

General MURRAY. My comment would be competition is healthy and especially here in the Washington area where you have the exchanges. And that is probably one of the biggest complaints of the customers that every Army-Air Force exchange you go into all over the world have the same stock assortment. And so I think the competition is healthy, and I think the competition among the exchanges, the Marine Corps, the Navy and the Army-Air Force is healthy because they both try to outdo each other.

Mr. BARNES. Mr. Chairman, I would just support the excellent points that have been made by my colleagues here. The Military Coalition supported the decisions to keep the exchanges separate while they moved ahead to adopt resource sharing and other efficiencies, and that seems to be progressing well.

Mr. JOHNSON. One last point—I am sorry, go ahead. I am sorry, were you finished?

Mr. MCHUGH. Ms. Cannon, did you want—

Mr. JOHNSON. Oh, I am sorry. I thought—I went like that. I just had one more point to make. The missions of the different exchange services are actually a little different. For example, in the Marine Corps, and I see Retired General Mike Downs is here today and he will have an opportunity, I guess, at your next hearing to explain this, but the Marine Corps is set up differently. They just do not run exchanges, they run community service programs and assorted other things. It is a whole different—the whole MWR thing for the Marine Corps is combined with the exchange service. That seems to work for the Marine Corps.

In AAFES, for example, that is not the case. In NEXCOM, the Navy, they do not do it that way. Also, the Navy runs the program to support ship stores. That is a very specialized kind of a function that AAFES and the Marine Corps would probably find a little mind-boggling. So to put these things together, when some of the missions are actually different, just further complicates already the things I talked about earlier.

Mr. MCHUGH. Which got to what was the—yes, Dick?

General MURRAY. I think the biggest thing you could do is to have the Navy and the Army-Air Force exchange services do like the Marine Corps and put everything under one operation, and we would make more money. I am talking about the MWR activities and all of the exchange. Like the Marine Corps, it is all under one commander, and he is running the whole show, and they do a lot more smarter things on the Marine Corps than they do on the Army, Navy and Air Force bases.

Mr. McHUGH. Either of the vendor reps want to comment on that or we will just let it pass?

Mr. JOHNSON. And that was coming from an Air Force general about a Marine Corps—that is amazing.

I think there is value in what Dick Murray just said. That is an interesting concept to perhaps expand the responsibilities of AAFES and NEXCOM to include some MWR things that the Marine Corps is doing. Seems to make some sense, but clearly consolidating all that is a very difficult task.

Mr. McHUGH. Yes. If I was sitting next to him, I would not tell him he was full of it either. [Laughter.]

I appreciate that. And as I started to say, Lloyd Johnson's last comments about the differences gets to the heart of my follow-up which is going to be about the different cultures, which is what we heard very often about consolidation when we spoke to it. But you did a good job covering that, so I will not press it any further.

A number of you, again, talked about funding for MWR, which becomes a particular challenge, it is always a challenge, but it becomes a particular challenge when you have the enormous number of forward deployed forces in an enormous number of places. The estimates that we have been given from DOD is that MWR programs in those forward deployed locations for this fiscal year, the 2003 year, will be about \$40 million. And that is probably low, just a wild guess on my part, but let's accept that figure as gospel for the moment.

If you couple that reality with the fact that the DOD comptroller has announced that no contingency funding will be allocated to support MWR programs, you obviously have to ask the question what is the erosive effect? And as I mentioned, some of you did talk about that, both in your oral as well as your written statements.

Have any of you any perspectives you could share with us with respect to the scope of that problem, vis-a-vis the reduction of programs in the non-forward deployed initiatives at home stations because of the, if not totally insufficient, the diminished resources to support them trying to back fill that \$40 million. Is this something that if it has not yet occurred, we ought to be deeply concerned about it, and we are, but I am just curious are you aware of an erosive effect already that may have happened?

Mr. RAINES. Sir, I am only anecdotally when you hear of long waiting lists to get signed up for the day care center on base and young families are having to go outside the gate to higher cost alternatives for child care and where that waiting list can be months and months, perhaps as many 12 months long or longer. That is how it manifests itself in not getting that service and support on the base. Perhaps one of the family associations has also heard of those types of situations.

Ms. CANNON. Yes, sir. We are aware of long waiting lists for child care. We are also aware of some of the home care providers not being able to provide child care for outside the installation families. So we do see some but not a lot of degradation. But if there is an erosion of funds, we expect that there will be numerous cases of degradation of services.

Mr. McHUGH. Dick.

General MURRAY. I think it will be criminal if we have the exchanges providing all of the support they are providing, because we provided a million dollars worth of inventory and items for the Desert Storm that we put in place, and we took the goods and just gave them away but DOD reimbursed the exchanges for all their expenses. So if you do not get the \$40 million, then I think that is an excellent estimate of what they will probably cost them. Then you are going to have projects canceled that should be done for the bases.

So we are going to be balancing the DOD budget on the back of the soldier and the airmen and the Navy personnel's income from the non-appropriated fund activities, and I think that is absolutely wrong for somebody to say right now that they are not going to be reimbursed for their costs associated with that. Because they are leaning forward in the cockpit, and they are going to make sure that they are not going to run out of any inventory for those guys that are over there fighting.

Mr. MCHUGH. And by the way, on child care, it is an excellent point, and the Congress did authorize the services to get into a contracting program with private providers off base. They established a pilot program. We are very interested to see what the status of that is, and it is something we are going to pursue.

But beyond that, the \$40 million figure causes concerns on the horizon rather than what we are dealing with right now. We can all agree, can we not, that if you are not going to provide any contingency funding and you are going to expend \$40 million that you were not expending last year with respect to the forward deployed programs, that \$40 million is going to come out of whatever it is you are doing somewhere right now. Fair?

And, Tom, if you have any questions or anything, we are kind of informal here now.

Mr. MCHUGH. Let me just return to a final point I want to probe.

And, Lloyd Johnson, in your oral testimony, you spoke about the situation with shelf stocking. And I want to be clear on where you and your association, of course the vendors in general, are with respect to a potential change where you extend flexibility to the military side to let them assume either a large share or perhaps all of that shelf stocking.

I heard you indicate a favorable attitude towards pursuing it, but I am not sure you were willing to commit to a particular proposal. Can you help me better understand where your view is on that?

Mr. JOHNSON. I think right at this moment there is not a good proposal on the table, but I think most people agree that the current vendor shelf stocking situation is badly flawed. What happens is many years ago it was somehow determined that certain categories of goods in the commissaries would be stocked every day, in every store, 276 stores, from Turkey to Japan and points in between, that in certain categories vendors like ourselves would stock the shelves.

And the reason that was done is because there were not enough appropriations in the commissary—in other words, not enough appropriated dollars in the commissary budget for them to do their own shelf stocking like any other grocery chain would do. So to be

sure that the groceries got on the shelf, the commissaries asked the vendor community to respond. We responded.

Unfortunately, trying to manage that process is extraordinarily difficult, and in fact the cost of doing that has, in many cases, been built into the pricing, because the cost has to be paid somewhere, and the patrons are, to some degree, paying the price for vendor shelf stocking.

The ideal situation would be for the commissary system to get enough funding to do their own shelf stocking as other grocery chains do, and that would better ensure that the proper groceries got on the proper shelves at the proper time every day. Right now, there are some out-of-stocks that occur randomly around the system, because the shelf stocking system as it exists is badly flawed.

So we need to work with the commissary system as a vendor community to try and come up with a solution to that that is not going to cost too much money. And I believe General Wiedemer has some good ideas that he is floating around and going to be discussing intensely with industry here over the next month or so.

And it may well be by the April hearing that I believe you have scheduled for April 2 that some of those ideas will emerge to the top and be able to discuss with Congress, and it may in fact require some legislation or funding relief for DeCA to properly solve this problem. I cannot give you a great answer or a great proposal for how to do that right now.

Mr. McHUGH. Well, it was—but otherwise it was a great answer.

Mr. RAINES. Mr. Chairman, if I may—

Mr. McHUGH. Mr. Raines.

Mr. RAINES [continuing]. I had the benefit of being with General Wiedemer last week. He was gracious enough to meet with the American Logistics Association Board of Directors and what we discussed in concept was to develop a test scenario where you would pick a specific challenging category, such as health and beauty care that is now vendor stocked and engage in a cooperative test between industry and DeCA whereby those products would be stocked, let's say, in 10 stores in one region for an agreed upon period of time with an agreed upon set of metrics and measures to either measure the success or lack of success of such a program.

And our board of directors agreed, and we have representatives on our board from large and small companies, to support that test financially, just as we are now relative to shelf stocking, to see if such an approach might work. So I think we are close to having a trial, if you will, to see if some of these ideas can be put into motion. And, again, industry would welcome that opportunity to test some of those ideas.

We have some details yet to be worked out. One of those would be if there is an industry contribution, how would that be handled? Right now, industry pays anywhere from \$0.35 cents a case, on average, to over \$0.40 cents or \$0.50 cents, on average, to stock a case of product, depending on whether it is dry grocery, frozen, chilled, depending on the size of the case, whether or not it has intersleeves, et cetera.

How could that money be provided to DeCA? Could it be provided as a set aside is a question that perhaps the Congress would have to answer even for a test scenario. How would those future case

rates be set, how would it be managed, et cetera? So industry is very willing to partner with DeCA again to try to figure out some of the issues surrounding that question.

Mr. JOHNSON. Just one more perspective to sort of give you all some food for thought. In a way, DeCA already has sufficient funds to do the necessary shelf stocking. The problem is they are required by regulation to hire niche contractors, which are essentially handicapped folks, to put the groceries on the shelves on the groceries that DeCA stocks. They pay about three times per case than vendor shelf stocking pays to get our cases on the shelf. They are paying three times the rate because they are dealing with handicapped folks.

Now, that has great social value and there is no question about that, but it is a very inefficient way to get groceries on the shelf and it is costing a lot of money. And it will be interesting to see if there is some way to get DeCA some relief from the requirement that they hire niche contractors to get groceries on the shelf at a very inefficient rate. But that is a tangled up issue, and I understand that with the social value of that.

Mr. MCHUGH. It is, and it is important to all of us here on the panel. But I would hope—you are right, Lloyd. I mean this is an important part, the niche contractors, and, clearly, challenged individuals are utilized. But maybe there is a common ground. I do not think there are too many members of either the House or the Senate who want to see that very useful and I think helpful initiative be totally wiped out, but there may be a common ground.

Let me just follow up. So we can—I believe, Lloyd, I heard you say that the ultimate—would the vendors ultimately see as an achievable objective—and we do not have a plan so I cannot ask you to commit, although we are transcribing, we did not swear any of you in, so answer as you will—but it becomes a far more attractive initiative if it does indeed result in additional price savings to the patrons. I mean from your perspective, that is certainly something you want to shoot for in addition to other components.

Mr. JOHNSON. Yes. And that is a possible result of a better shelf stocking program, yes.

Mr. MCHUGH. Good. The record will show they both said yes. And money is an important part of it. And, surprise, everything in this town has at some time or another, at one point or another has something to do with money, but it would also would require, I think, depending on what the general's proposal is, probably requires some changes with respect to the civil service personnel structure to provide that.

So we will be looking forward to the general's testimony, as you noted, Lloyd, on April 2, and we will pursue that further. And it is probably something in a larger context that Dr. Chu, Secretary Chu may address as part of his personnel reform initiatives that we are going to be talking about tomorrow.

Someone mentioned food for thought, I am thinking about food for dinner. Cannot yield to anybody else, so have you got any questions for me? Reverse it. This is an unusual hearing, we might as well pull it. Except for General Murray, does anybody have any questions? [Laughter.]

Mr. RAINES. Well, sir, if I may.

Mr. McHUGH. You may, Boyd.

Mr. RAINES. We would be most appreciative to hear your vision for the role of the subcommittee and the things that you want to personally see the subcommittee focus on during your tenure and the stewardship that will be provided.

Mr. McHUGH. My 10-year or tenure?

Mr. RAINES. For the hopefully long—

Mr. McHUGH. I want to get through tonight. Well, I appreciate that. Obviously, we have a very serious charge. All of us on the entire committee and subcommittee recognize that when it comes to the important job of military action, military and defense strategy, the men and women in uniform, for all the importance of laser precision-guided munitions and the latest platforms and the cutting-edge technology of the 21st century battlefield, it starts with that man and woman in uniform, and we care very deeply to ensure that we do a better job.

And I think we have been doing a better job from the personnel perspective, whether it be in questions of ensuring a better health care system, a work in progress, whether it is the pay raise adjustments that we have made and we must continue to make, that is going to be our primary concern.

And as I mentioned with respect to MWR, largely those are let's-deal-with-it-again issues as well. We are going to try to very hard—work very hard to continue the progress we have made. We think it is a critical component of the success of the very challenging and, in large measure, dangerous situation, as we had before.

So one of the reasons, with respect to the hearing we are having here this evening, we wanted MWR under the subcommittee jurisdiction is that in today's total force concept, seamless force, the MWR programs are an integral part of that. Having been on both sides, the panel, being the chairman at one point, and now the subcommittee chairman, is that we are jointly concerned.

And I commend Chairman Hunter for his attention to this, and I know he is met with a number, if not all of you. I think he felt as well that under the previous structure MWR issues would be a set-aside as though somehow there is a difference between what we do on MWR and the things we need to do for the personnel.

And although I do not think it ever worked that way, we were deeply troubled by the potential that it, in a very unintended direction, underscored those who happened to think that this is kind of an added compensation, it is not part of the entire benefit package, that we have got to focus on pay and we have got to focus on health care, and we truly do, but if we have got to get tough anywhere, MWR is just—you know, it is already icing on the cake, gravy on the potatoes, and that is not, in the chairman's view and in my view what it is. So we are going to work very hard to integrate these MWR programs into what they should be.

And some of you mentioned administrative adjustments, legislative adjustments to Title 10, and as I promised you, Boyd, we are going to look at those. But whether that is successful or not, we still want the objective to be maintained and have that objective prevail, and that is to ensure that these programs are part of the critically important initiatives that we have to do the best we can by these very, very brave men and women in uniform. So that is

the post-7 p.m. synopsis of it, and I appreciate the opportunity to fill it out.

So let me just say, Ms. Cannon, gentlemen, thank you again so much for being here. I guess I have kind of given my rededication to the important work you do, and I deeply appreciate that. And I have spent a lot of time in the forces, both forward deployed, as I have traveled the world from the Demilitarized Zone (DMZ) in Korea to Bahrain, to Qatar, to Saudi and on and on and on, and I know how important it is to those folks, as Ms. Cannon noted, to walk in to an exchange or a commissary and feel that in a very troubling time a long way from home and oftentimes a very, very strange land they can still have a little piece of that home through the products and services that you provide.

And we are going to work with you as hard and as closely as we possibly can to continue that. And I know we are going to continue to have meetings. We have another MWR hearing, which I am sure you will pay very close attention to. As we begin the immediate deliberations on the 2003 authorization bill, we want to make sure you are an integral part of that legislative proposal, because you are an integral part of the military family, and I thank you for the amazing cooperation that occurs between the patrons organizations, as well, of course, the vendors and the military.

And with that, I do not want to—Marty, I do not know if you—

Mr. MEEHAN. I actually had 45 minutes worth of comments that I wanted to—

[Laughter.]

Mr. MEEHAN. I am all set.

Mr. MCHUGH. Is Vic here?

Mr. MEEHAN. Thanks very much.

Mr. MCHUGH. Well, thank you, Marty, and I appreciate Marty Meehan's stamina, as always; he has shown it in the past.

So with that and with my added words of appreciation, I adjourn this subcommittee meeting. Thank you.

[Whereupon, at 7:25 p.m., the subcommittee was adjourned.]

A P P E N D I X

MARCH 12, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 12, 2003





201 North Washington Street
Alexandria, Virginia 22314
(703) 838-8113

STATEMENT OF THE MILITARY COALITION

on the

MILITARY COMMISSARY AND EXCHANGE SYSTEMS AND MWR PROGRAMS

before the

TOTAL FORCE SUBCOMMITTEE HOUSE ARMED SERVICES COMMITTEE

Presented by

Master Chief Joe Barnes, USN, (Ret.)
Fleet Reserve Association
Co-Chair, The Military Coalition's
Military Personnel / Compensation and Commissaries Committee

and

Ms. Lillie Cannon
Deputy Director, Government Relations
National Military Family Association

March 12, 2003

Master Chief Joseph L. Barnes, USN (Ret.)
National Executive Secretary
Fleet Reserve Association

Joseph L. (Joe) Barnes was selected to serve as the Fleet Reserve Association's (FRA's) National Executive Secretary (NES) in September 2002 during a pre-national convention meeting of the FRA's National Board of Directors (NBOD) in Kissimmee, Fla. He is FRA's senior lobbyist and chairman of the Association's National Committee on Legislative Service. He is also the chief assistant to the National President and the NBOD, and responsible for managing FRA's National Headquarters.

A retired Navy Master Chief, Barnes served as FRA's Director of Legislative Programs and advisor to FRA's National Committee on Legislative Service since 1994. During his tenure, the Association realized significant legislative gains, and was recognized with a certificate award for excellence in government relations from the American Society of Association Executives (ASAE).

In addition to his FRA duties, Barnes works effectively as Co-Chairman of The Military Coalition's (TMC's) Personnel, Compensation and Commissaries Committee and testifies frequently on behalf of FRA and TMC on Capitol Hill. He is also a member of the Defense Commissary Agency's (DeCA's) Patron Council.

Barnes joined FRA's National Headquarters team in 1993 as editor of *On Watch*, FRA's bimonthly publication distributed to Navy, Marine Corps, and Coast Guard personnel. While on active duty, he was the public affairs director for the United States Navy Band in Washington, DC. His responsibilities included directing marketing and promotion efforts for extensive national concert tours, network radio and television appearances, and major special events in the nation's capital. His awards include the Defense Meritorious Service and Navy Commendation Medals.

He is a member of the U.S. Navy Memorial Foundation's Board of Directors and in recognition of his work on behalf of enlisted personnel, Barnes was appointed an Honorary Member of the United States Coast Guard in 2001 by Admiral James Loy, former Commandant of the Coast Guard, and then-Master Chief Petty Officer of the Coast Guard Vince Patton.

Barnes holds a bachelor's degree in education and a master's degree in public relations management from The American University, Washington, DC, and earned the Certified Association Executive (CAE) designation from ASAE in 2003. He's an accredited member of the International Association of Business Communicators (IABC), a member of the ASAE and the American League of Lobbyists.

He has served in a variety of volunteer leadership positions in community and school organizations and is married to the former Patricia Flaherty of Wichita, Kansas. The Barnes' have three daughters, Christina, Allison, and Emily and reside in Fairfax, Virginia.

Lillie S. Cannon
Deputy Director, Government Relations
National Military Family Association

Lillie S. Cannon has served as the Deputy Director, Government Relations for the National Military Family Association since July 2001. She is a retired Air Force Officer and the spouse of an active duty Army officer. Lillie monitors issues relevant to the quality of life of the families of the Uniformed Services and represents the Association at briefings and meetings of other organizations, Members of Congress and their staffs, and members of the Executive branch.

A North Carolina native, Lillie is a distinguished graduate from Air Force Reserve Officers' Training Corps Detachment 585, Duke University, and a graduate from North Carolina Central University, Durham, North Carolina. She received her undergraduate degree in Criminal Justice and Pre-Law. She has Master's degrees in Aviation Management and Abnormal Psychology. Although commissioned as an Aircraft Maintenance Officer, she has served in a variety of logistics assignments at the strategic, tactical, and operational level at various Air Force bases. In addition to maintenance and logistics assignments, she also held positions as a military instructor, foreign liaison instructor, strategic planner, acquisition officer, military liaison, chief of quality improvement and strategic development. The first female logistics/maintenance liaison officer in the Joint Military Assistance Group Korea, she was instrumental in the Korean Air Force's procurement of two major military weapon systems, the F-16 and C-130. She was also influential in numerous innovative programs for the Air Force directorate. Her major accomplishment was to develop the Strategic Planning Process and Quality Improvement Process for Air Combat Command. Moreover, she developed inspection and training criteria for numerous military weapon systems. Lillie has been stationed at 10 CONUS locations and 4 OCONUS locations. She was the military training officer for the Iranian Air Force Maintenance Officers assigned to the United States. Her final assignment in the Air Force was as the Deputy Commander for Maintenance, 23 Fighter Group, Pope Air Force Base North Carolina. Lillie retired after 20 plus years in 2000 to spend time more with family and to pursue her other interest.

Lillie was the recipient of the numerous Joint Military, Air Force awards and decorations. Additionally, she was awarded the Army's Commanders Award for Public Service and the Department of the Army Outstanding Civilian Service Medal for her work with military families during unit deployments and hurricane disaster relief operations. She is the recipient of the Dr. Mary Walker Award and Molly Pritchard Award.

As an active duty officer and military spouse Lillie has dedicated her spare time to supporting military families as a volunteer. She has held numerous key positions on spouse's clubs, chapel boards, family readiness groups, PTA boards, booster clubs and advocacy committees. She has also worked as an instructor for Embry Riddle Aeronautical University and a Tax Preparer and Officer Supervisor for H&R Block Inc.

She is married to Colonel Michael M. Cannon and they have two daughters and granddaughter

MISTER CHAIRMAN AND DISTINGUISHED SUBCOMMITTEE MEMBERS, On behalf of The Military Coalition, a consortium of nationally-prominent uniformed services and veterans organizations, we wish to thank you and members of the Total Force Subcommittee for providing this opportunity to express our views concerning the commissary benefit, military exchange system and MWR programs. This testimony represents the collective views of the following military and veterans organizations, collectively representing approximately 5.5 million current and former members of the seven uniformed services, officer and enlisted active, Reserve and Guard, retired members and veterans, plus their families and survivors.

Air Force Association
 Air Force Sergeants Association
 Air Force Women Officers Associated
 American Veterans Association
 Army Aviation Association of America
 Association of Military Surgeons of the United States
 Association of the United States Army
 Chief Warrant Officer and Warrant Officer Association, United States Coast Guard
 Commissioned Officers Association of the United States Public Health Service, Inc.
 Enlisted Association of the National Guard of the United States
 Fleet Reserve Association
 Gold Star Wives of America, Inc
 Jewish War Veterans of the United States of America
 Marine Corps League
 Marine Corps Reserve Officers Association
 Military Chaplains Association of the United States of America
 Military Officers Association of America
 Military Order of the Purple Heart
 National Military Family Association
 National Guard Association of the United States
 National Order of Battlefield Commissions
 Naval Enlisted Reserve Association
 Naval Reserve Association
 Navy League of the United States
 Non Commissioned Officers Association
 Reserve Officers Association
 The Retired Enlisted Association
 Society of Medical Consultants of the Armed Forces
 United Armed Forces Association
 United States Army Warrant Officers Association
 United States Coast Guard Chief Petty Officers Association
 Veterans of Foreign Wars
 Veterans' Widows International Network, Inc.

The Military Coalition, Inc., does not receive any federal grants or contracts from the federal government.

INTRODUCTION

The Military Coalition (TMC) appreciates this opportunity to present its views of the military resale system and MWR programs. Since oversight of these important programs is now under the oversight of this distinguished Subcommittee, this opportunity takes on extra significance given the additional personnel and quality of life programs that are under its purview.

TMC salutes the former Special Panel on Morale Welfare and Recreation (MWR) for its effective oversight and strong leadership in preserving and enhancing the commissary and exchange benefits and MWR programs. All beneficiaries appreciate this attention to these important benefits and valued programs.

During this period of heightened security and possible war, these and other quality of life benefits are more important than ever, not only to the active, Guard and Reserve personnel serving our Nation throughout the world but also their families and survivors.

There are three sections to this statement – the first addresses the commissary benefit, the second focuses on the exchange system, and the third dealing with MWR programs.

THE COMMISSARY BENEFIT

As is has in the past, The Military Coalition restates its continuing commitment to maintaining the commissary benefit as an integral part of the total compensation package for service members and their families, and its strong opposition to privatizing the benefit.

The commissary benefit is highly valued and widely recognized as one of the premier quality of life benefits for all beneficiaries – substantiated in numerous surveys to active duty, Guard and Reserve personnel, military retirees and their families.

Access to any of the 276 commissaries on military bases around the world is very important to these service members. The benefit offers significant savings to patrons and is also essential to their morale and well-being – especially important in remote overseas locations during the current deployments, the war on terrorism, and the possibility of war with Iraq.

These demanding operational commitments take a significant toll on personnel and their families so the commissary and other quality of life programs become even more significant to sustaining morale, reassuring deployed personnel their families are provided for and ultimately ensuring our military readiness. The benefit also positively impacts the retention of highly skilled personnel and subsequently military readiness.

The Defense Commissary Agency (DeCA)

The Defense Commissary Agency (DeCA) does an outstanding job managing military commissaries. The Agency's FY 2004 budget request of nearly \$1.1 billion to fund operating costs reflects the implementation of a multi-year strategic plan to continue improving the benefit and boost customer savings.

This follows implementation of a broad reform initiative involving staff reorganization, implementation of improved management practices and operating cost reductions, the revitalization and protection of the surcharge account (comprised of funds collected via the five-percent surcharge), and working more effectively with its business partners.

The elimination of 2,077 full time equivalents over a three-year period from 2000-2003 continues to be a concern for Coalition organizations; however, there appears to be little evidence of significant negative impact on customer service. This is reflected in recent survey data that indicates increased customer satisfaction in most areas surveyed. The only exception was concern about adequately stocked shelves which may be attributed to the combination of glitches in a new computer system and related staff reductions. These are noteworthy achievements.

Commissary shoppers can save an average of over 30% on groceries when compared to purchases in retail grocery stores. These savings combined with other improvements are very important to the families of junior enlisted personnel who often struggle to make ends meet, especially in high-cost duty locations. This is also true for the families of the increasing number of Guardsmen and Reservists called to active duty in support of various mission requirements, and also for military retirees and survivors with limited incomes.

In response to concerns voiced by its patrons, DeCA continues to improve its outreach to beneficiaries. There are many opportunities to sound off about the benefit including customer comments cards for store managers, and regular focus group sessions to gauge all customer category concerns. Complementing this effort is an enhanced web site, collaborative promotional campaigns with its business partners, special events, lot sales, Commissary Fast Facts and other initiatives. The Coalition appreciates these initiatives designed to educate junior personnel about the benefit, increase sales after the post 9-11-02 decline, and boost savings to all commissary shoppers.

The Coalition is aware of a proposal under consideration within DoD to allow employees to shop at commissaries. Although it has not established a position on the plan which would impact only about 40% of its employees who are not benefit beneficiaries, concerns have been voiced about diluting the value of the benefit, the disconnect between limiting visits for Guard and Reserve personnel and such as plan for employees, and potentially strong (and continuing) opposition from food marketing organizations.

Coalition Position: DeCA should be adequately funded to sustain the benefit at the current benchmark level and ensure that the commissary continues as one of the military's premier quality of life benefits for active duty, Guard and Reserve personnel, military retirees and their families and survivors. TMC appreciates DeCA's continuing commitment to maintain or improve customer service while achieving greater efficiencies, but cautions the Agency to constantly monitor the impact of these efforts on customer service, store operations and employee morale.

Access to the Benefit

Our Nation's reliance on Guard and Reserve personnel to maintain national security and protect our interests throughout the world is increasing with activations totaling in excess of 168,000 as of

February 26, 2003, including both units and individual augmentees. These personnel are required to sustain operational commitments and if necessary, prosecute a war in Iraq. They effectively complement our active forces and provide flexibility and depth to our total force structure.

The Coalition supports unrestricted access to commissaries for Guard and Reserve personnel and 'gray area' retirees (retired Reservists under age 60). Terminating the current 24 visits per year restriction in favor of an "open door" policy for these personnel will improve access to the benefit and promote budget savings via the elimination of printing and administrative costs associated with issuing the Commissary Privilege Card (DD Form 2529). The card is issued annually to Guard and Reserve members by their respective units and mailed to retirees.

Coalition Position: Lift restrictions on commissary access for Guard and Reserve personnel in recognition of their vital contributions to maintaining our Nation's security and serving as part of the total force structure. This would also result in cost savings due to the elimination of printing and administrative costs associated with the Commissary Privilege Card.

Privatization

The concept of privatizing commissaries is not new and over the course of several decades there have been many proposals to privatize commissaries or otherwise eliminate the system's appropriation – most with the strong support of the grocers industry. The Coalition appreciates the MWR Panel's strong opposition to these plans and asks for the distinguished Subcommittee to sustain this position. Reform proposals have a common theme – saving money with scant regard for the impact of reductions on beneficiaries.

There is continued interest in privatizing the commissary benefit within the Department of Defense. This is reflected in past budget requests, Congressional testimony and reference to the benefit and other programs as opportunities to privatize during press conferences and interviews.

The Coalition again references comments by Secretary of Defense Donald Rumsfeld before the HASC last year (February 2, 2002) when he stated that he was "still considering" privatization of commissaries and a proposal in the Administration's FY 2002 Budget requesting approval for a pilot demonstration program to contract out operations at several Army and Marine Corps commissaries. In testimony before the HASC on June 28, 2001, Secretary Rumsfeld also discussed the importance of finding cost savings within the department and using the taxpayers' money "more wisely."

Coalition Position: The Military Coalition is adamantly opposed to commissary privatization initiatives. The value and importance of this benefit is not quantifiable solely in monetary terms. The commissary is an intrinsic part of military life. If privatized, this unique facet of the benefit package will be in jeopardy along with the current level of customer savings due to the infusion of the profit motive. In addition, civilian grocers are unable to provide the benefit at a profit in remote locations.

Closures

Congress has authorized another round of base closures and realignments in 2005 and members of various TMC organizations are already expressing concerns about what the next round may mean to their access to health care facilities, commissaries and exchanges, MWR programs and other base amenities.

Six stateside stores closed in 2001 and others closed last year. As stated in previous testimony, the Coalition understands the challenges associated with closure decisions, the importance of new and improved business practices, and DeCA's commitment to delivering the benefit in a cost-effective and efficient manner. However, there is a perception among some beneficiary groups that decisions are based on the number of active duty patrons – with little concern regarding the impact on Guard and Reserve personnel and military retiree patrons.

Despite recent health care enhancements, many in the retired community are cynical about these and other actions by the Federal Government and believe such actions are another indication of the lack of respect for their service and the continuing erosion of their benefits. Retirees also believe that their needs and concerns are of little interest to senior policy/decision makers when closures are being considered – thus contributing to resentment and frustration within that community.

Coalition Position: The impact of commissary closures must be evaluated with regard to all categories of beneficiaries including active duty, Guard and Reserve personnel, military retirees and survivors.

THE MILITARY EXCHANGE PROGRAM

Military members, retired personnel, Reservists, National Guard members and their families consistently rate the exchanges as highly important in surveys on quality of life programs.

The exchanges not only provide essential goods and services, but also generate vital funding for a variety of important Morale, Welfare and Recreation (MWR) programs that are essential to maintaining a high quality of life for military personnel and their families. In terms of dollars, AAFES earnings over the last decade represented \$2.5 billion dollars that did not have to come from the taxpayers to support the Army and Air Force Morale, Welfare and Recreation programs. Since its inception in 1946, NEXCOM has contributed over \$2.2 billion to support MWR program. In addition, hundreds of millions of dollars earned by the exchanges are used to provide the new or upgraded exchange facilities that service members and their families desire. These are monies that Congress is not asked to provide via taxpayer funded annual appropriations.

The exchanges are more than just bricks and mortar and dividends to MWR; they are an integral component of the overall support structure for the men and women who are serving our Nation and their families. AAFES Field Exchange Operations that support our troops during deployments are particularly deserving of recognition in these trying times. AAFES field exchanges, manned by over 200 AAFES civilian volunteers are supporting our troops at an ever-increasing number of desolate locations throughout Southwest Asia.

NEXCOM's support to the war fighter, the deployed Sailor and Marine does not stop pier side. Through its Ships Store Program, NEXCOM extends its reach of providing quality merchandise at a savings and quality of life services to the furthest deployed Sailor and Marine. On 184 ships, 50% of which are at sea around the world at any one time, Sailors and Marines receive the benefit of having "ships stores" afloat providing necessary quality of life merchandise, laundry and barber services as well as commercial phone services. Consistently rated one of the highest quality of life benefits, Ships Stores Afloat and Ashore deliver a key benefit where there are few. In the fight on terrorism, NEXCOM goes where the Navy goes. Ashore stores in Diego Garcia, Indian Ocean, and Bahrain, Persian Gulf, now classed as a war zone, provide forward deployed support to joint Air Force, Marine, and Coast Guard forces stationed at these remote sites.

Coalition Position: TMC recognizes the added value that Exchanges offer to our service members and their families. Clearly, the exchange benefit is a tangible non-cash portion of the total pay and benefit package to the service member. This benefit is provided at virtually no expense to taxpayers.

Outreach to Customers:

The Coalition is pleased to note that the exchange systems are more aggressively marketing product lines and merchandise geared to the needs and budgets of young families and single service members. A concern voiced frequently in the past by active duty families is that exchanges carried predominantly brand-name merchandise that, even at exchange prices, was often too expensive. The exchange systems have responded by developing their own lower priced product lines of clothing, housewares, and other items that provide the quality and value young families and patrons with limited resources need and desire.

Technology also plays a more important role in bringing the exchange benefit to customers. The growth in Internet sales shows an increasing acceptance of this marketing choice. The All Services Exchange On-Line Store offers patrons, especially reservists and retirees who may not live near an installation, better access to the exchange benefit they have earned. TMC is pleased with this alternative for shopping at the exchanges.

Another example of effective outreach is the retiree appreciation program featuring retiree recognition days with special sales and product promotions. AAFES hosted a special 'Still Serving' event, September 20-22, 2002 at 138 PXs and BXs throughout the world. They invited 1.1 million retirees to the weekend event with a campaign package, letter from AAFES' Commander, and a 16-page brochure filled with coupons and special offers. AAFES received thousands of entries to a Photo Sweepstakes included in the event. AAFES will feature a special column in a tabloid, using actual photos received, saluting the military retiree.

AAFES goal was to host a special weekend that benefits, entertains, and shows AAFES' appreciation for all military retirees. Many commissaries also participated in the second annual "World's Biggest Case Lot Sale" during the 'Still Serving' weekend. The event weekend was a success. Retiree and associates had fun, and it is felt that the event is important to the retiree community. The 2003 AAFES Still Serving Campaign is scheduled for 19-22 September.

Retirees truly appreciate the special recognition (and savings) they get at these events. They continue to see the special welcome they get throughout the year. Truly, they are the most loyal shoppers the Exchanges have day in and day out.

NEXCOM uses its sales flyer distribution to offer additional savings to its customers. Additionally, several discount scratch-off coupon promotions were held in 2002. Customers received savings of 5 – 50% of the total purchase (up to maximum of \$250 savings). Increased sales reflect a very positive customer response to these promotions.

Coalition Position: The Coalition appreciates various outreach initiatives and is pleased that Exchanges are featuring various product lines in the up-front store displays, thus giving them greater visibility and helping to attract value-conscious shoppers into the stores.

Star Military Card Credit Program:

In September 2000, AAFES began managing proprietary credit card services for the Army Air Force Exchange Service (AAFES), Navy Exchange Command (NEXCOM), Marine Corps and Coast Guard Exchange systems under a trademark branded name. This consolidated the AAFES' Deferred Payment Plan (DPP) Program and NEXCOM's NEXCARD Program into a single All-Services Private Label Credit Program called the Military Star Card. This program offers its two million cardholders a number of benefits including a very low continuing interest rate and some of the best customer care services found among the major commercial credit providers. More specifically, the Military Star Card provides patrons low interest rates at Prime plus 4.75 percent. Today that is 9.0 percent compared to civilian retail credit cards that charge up to 25 percent

There are also many promotional aspects of the Military Star Card that offer special savings to the military member, such as 10 percent discount on all merchandise purchased the first day the card is used, and no payments or interest for 90 to 180 days on certain promotions.

To help protect customers, Military Star Card bases credit limits based on each applicant's credit history, debt burden and ability to pay. First time credit applicants with no credit history, are limited to a starter account with a \$500 limit. The credit-scoring application dramatically decreases the number of potential problem applicants receiving the Military Star Card. Typically, 35 percent of credit applicants are denied credit through this process. Additionally, for those members that have a hardship or difficulty making monthly payments, the card offers reduced payment plans, and works with Consumer Credit Counseling Services.

The Military Star Card has a Deployment program for qualifying service members. The program waives monthly payments for account holders for the duration of an assignment over 90 days to a contingency area and interest rate charges are reduced under two options. For the first option, Military Star cardholders will automatically receive a reduced interest rate of six percent when the account is coded for deployment. The second option offers an interest rate of zero percent. In each case, the command must contact AAFES officially to request this. Customers selecting this option will not be able to use their Military Star Card while the account is coded for 0%.

The Deployment program does not apply to accounts that are in a collections status when the request is received.

When dealing with delinquent accounts, AAFES has adopted a customer-friendly system, elevating credit problems to commanders only at the appropriate time while minimizing and delaying the adverse financial effects of the collection process. To date, The Military Coalition has not heard of any serious problems with the Military Star Card Program and believes it serves military exchange customers well.

Coalition Position: TMC supports the Military Star Credit Card Program as an effective way for eligible customers to purchase Exchange products while providing customers a low interest rate and financially sound credit option for managing their financial affairs.

Cooperative Efforts Among Exchanges:

The Military Coalition supported the decision to keep the exchanges separate while adopting resource sharing where efficiencies are viable. These areas include merchandising, distribution and logistics, finance, information systems, non-retail operations, organization and administration, people and culture, and store operations. Exchange Select, introduced in 2002, is an example of a successful merchandising cooperative effort between the exchange systems to provide customers with quality private label products at a reduced cost. The Coalition's interest is to maintain and/or enhance exchange services for all service members, active, retired and Reserve and their families.

Coalition Position: TMC opposes initiatives that will compromise services to customers, or that will increase the out-of-pocket costs to patrons. It is also essential that exchange system funding for the MWR programs be maintained and not be compromised in any way.

Base Realignment and Closure Impact on MWR Programs

As noted above, The Military Coalition is well aware of the next round of base closing in 2005. We understand that one of the main reasons for base closures and realignments is to reduce the cost of defense, but we also recognize that countless numbers of military retirees consider base closings to be a significant threat to their way of life. Many military retirees have selected their retirement homes based on proximity to military health care, commissary, exchange and recreational activities. Defense reports reveal that almost 70 percent of retirees locate near military installations upon their retirement from active duty to avail themselves to these services. While retirees were never guaranteed that bases would remain open indefinitely, most retirees can cite "chapter and verse" of how commanders and retention counselors noted the value of those services as an inducement to serve another "hitch" or extend their service obligations. It's no wonder that so many consider each wave of base closures as both a threat to their future security and a lack of leadership's resolve to honor previous commitments.

Coalition Position: TMC asks this Committee to insure that the Military Departments and the BRAC Commission consider all the factors associated with base closures. Where realignment and closures are deemed necessary, we would expect that the exchanges, commissaries and MWR programs be retained where it is financially viable in support of the retirees residing in the community.

MORALE, WELFARE, AND RECREATION PROGRAMS

Like commissaries and exchanges, Morale, Welfare, and Recreation (MWR) programs enhance the quality of life of service members, military retirees, their families, and survivors. MWR activities draw beneficiaries to that community, promote esprit de corps, enhance educational opportunities, and provide support in periods of high operational tempo.

Military community members consistently rank MWR programs among their most valued benefits. In the recently-released 2002 Active Duty Status of Forces Survey, MWR programs ranked second to exchanges and commissaries among the quality of life programs listed. Of the service members surveyed, 67 percent reported satisfaction with commissaries and exchanges; 61 percent were satisfied with MWR programs. MWR programs also had the lowest dissatisfaction rate of any quality of life program, only 12 percent. Service members stationed far from home on lengthy deployments depend on MWR activities as a lifeline to home and a respite from arduous duty. Their family members depend on MWR programs for wholesome, affordable activities that demonstrate to them the community's concern for their wellbeing while the service member is away. Retirees view the availability of MWR programs as part of the benefit package provided them, their families, and survivors. This began when they first entered active duty and continued as a major aspect of their continued link to the military community.

MWR for Deployed Service members and Their Families

As operations, deployments, and training missions continue at a high pace, the military family and community feel the strain. Family services are important even to an installation not pressured by a war on terrorism. Family center staff, chaplains, and other support personnel ease the transition to military life for new arrivals; provide financial counseling and information on accessing local social services, parenting classes, opportunities to learn about the community, as well as opportunities to volunteer to help others. Additional services supporting families when units deploy include counseling, e-mail and video teleconferencing centers, and special family activities. When available, these programs ease the strain of deployment for families left behind and reassure the service member that the family is being looked after. Although recreation programs are valued, the morale and welfare services are the most important parts of MWR for many deployed service members and their families.

The Services are doing a magnificent job in supplying education programs and a wide array of MWR programs for forward-deployed units. Although the current challenges are great, the Services are bringing exchanges and MWR services as close as possible to the front lines. At Bagram Air Base in Afghanistan, for example, there is an MWR building where service members can play cards and board games and watch videos in a darkened theater with a popcorn machine. The same building has a phone bank so that soldiers can call home. Fitness equipment and computers are also available at some of the most remote bases.

The Services are also making strides in meeting the greatest morale challenge for deployed service members and their families: communication. Morale phone calls, e-mail, and, for some lucky service members and families, video teleconferencing enable families to share news almost instantaneously provided everything works and both service member and family have access to the technology. Where computer access is available, service members can receive messages from home, as

well as from civilian well-wishers through such programs as the "Operation Dear Abby," (available at: <http://anyservicemember.navy.mil/>). All families may also create their own free, secure, personal e-mail accounts through GIMail, an e-mail network accessible through the Air Force quality-of-life website, Crossroads (www.afcrossroads.com). Army family members are eligible for guest accounts in the Army Knowledge Online system. Because family members' eligibility for access is checked in these military e-mail systems, these addresses provide more security for communications than commercial sites and are also free of advertisements.

Although the Services are increasing Internet access, even for deployed service members, the TMC remains concerned about continued reports of the high costs of phone calls for many families when the service member is deployed. Not every troop location has Internet access, and many other locations provide access for limited time periods or shut down access during alert situations. The lack of universal Internet access comes as a surprise to some service members and their families who often count on this means of low-cost, immediate communication. Deployed service members in many locations, including Afghanistan, may make limited "morale calls" via military lines to their homes. A ten-minute call home each week, supplemented with e-mail, can help families ease the strain of separation. TMC organizations have heard reports, however, that phone connections back to the home installations are often of poor quality, that callers are consistently cut-off, or time zone differences mean that no one is manning home installation phones when the service member is able to call. When unable to get through using their free morale call, service members then use available commercial lines, incurring large long distance bills. Even though many service members and their families are counseled about avoiding large long distance phone bills during deployments, they often do not realize how expensive the calls will be until they may have accumulated bills totaling several hundred (or thousand) dollars, thus contributing additional financial stress to families already dealing with the stresses of deployment. When the opportunity exists to call home, service members will call.

Educating families about their benefits and providing information on how to handle the demands of military life is especially important during times of high operations tempo. TMC is pleased that the Services are exploring new vehicles for communicating with family members and helping them access assistance when needed. Marine Corps Community Services (MCCS) is making available a new service in its effort to provide community and family support, even at a distance. The new program "MCCS One Source," provides 24 hour-a-day, 7 days-a-week, telephone and online family information and referral, situational assistance, and links to military and community resources. Since February 1, the service has been available to active duty and Reserve Marines and their family members. The Army has also made this service available to soldiers and families at select installations. Employee Assistance Programs such as "One Source" provide an accessible source of information for service members and families, allowing Service family support professionals to devote more time and attention to supporting unit volunteers and assisting families with more complicated problems.

Coalition Position: TMC is pleased that a wide range of MWR programs and facilities are available at many forward bases, on Navy ships, and at remote overseas locations. TMC also applauds the Services' efforts to expand family programs and ease access to information and support, and further recognizes the strides made by the Services in enhancing communication between deployed service members and their families. The Coalition, however, remains concerned that many service members view high-priced phone calls as their best option for communicating with their families.

Accessing the Benefit: Funding Support for MWR

Heightened installation security, and increased deployments under Operations Noble Eagle and Enduring Freedom, combined with the need for members of the military community to provide greater support both for the mission and each other, have highlighted the importance of MWR programs for the community since 9/11/01. The subsequent security alerts and high levels of deployment have created continuing challenges for DoD and the Services in providing morale and welfare programs for deployed service members, their families at home and others.

Installation security during the past year has proved a mixed blessing for some MWR facilities and for the community members who use them. On the one hand, recreation facilities, clubs, and restaurants provide improved security. Immediately after the September security crackdown, however, many installations reported fall-offs in the use of MWR facilities, commissaries, and exchanges by beneficiaries who live off-base. TMC is concerned that future heightened security periods could again disrupt patron use of military commissaries, exchanges, and MWR activities, thus impeding of the generation of MWR funds used to support other installation activities.

Installations experiencing high levels of deployment report a surge of sales at exchanges immediately prior to deployments followed by a lull. The resulting lower revenue from exchanges and other MWR enterprises may force cut-backs in other key recreational and support programs. Additionally, TMC is concerned that the cost of security measures for MWR facilities dictated by a heightened alert status not be taken out of vital MWR funds. TMC was pleased that report language from this distinguished Committee last year referenced its intent that necessary security upgrades for MWR facilities be paid with appropriated funds. TMC urges this Subcommittee to ensure that programs and services essential to the military community continue despite downturns in MWR revenue because of deployments or security alerts.

Quality family support requires the proper staffing and funding for MWR programs at the home installation. During the early years of the Bosnia operation, TMC associations heard from families in Germany that installation MWR programs were cut back in order to make more resources available for the service members in Bosnia. While pleased that deployed service members had access to a wide range of MWR programs, families faced cutbacks in hours for bowling allies, swimming pools, and other activities they depended on to keep children active and their attention diverted from their separation from the service member. TMC members hope that the current deployments will not again pull key MWR personnel and resources out of communities that rely on the services they provide. Commanders should not have to choose between funding recreation programs for deployed service members or for the service members' children.

Coalition Position: TMC encourages Congress to provide the Services with the funding for MWR programs needed by active duty families and other community members at home, as well as for deployed service members. TMC also urges this Subcommittee to ensure that programs and services essential to the military community continue at an acceptable level of service despite downturns in MWR revenue because of deployments or security alerts.

Fitness Centers

A ready force must be a fit force and TMC has supported the construction of additional fitness centers as important to readiness. Service members speak highly of the new facilities, equipment, and well-trained staff. Many fitness centers also welcome retirees and family members; some even have convenient child play rooms on site so that parents can bring children along. The Services speak of the centers' importance in emphasizing an active lifestyle. DoD and Service standards will ensure consistency in measuring the fitness of service members and the operation of the centers. Although funding has increased for fitness centers, the Services still need help in reaching these standards.

Coalition Position: TMC encourages the continued funding to construct, improve, and operate fitness centers in compliance with DoD and Service standards.

Child Care and Youth Programs

The military's child care system remains the national benchmark against which other programs are measured. High rates of accreditation, quality facilities, and well-trained staff are a testament to the priority given military child care by the Congress, DoD, and the Services. TMC thanks Congress for funding the construction of additional military child development centers each year and for the funding needed for DoD to maintain such a high quality program at what the Coalition believes is still a reasonable cost for most users.

Despite considerable progress, TMC sees some continuing challenges for DoD and the Services in meeting the child care needs of the force without breaking the bank or compromising quality. Approximately 63 percent of military spouses are in the work force. Dual-military members with children make up 2.5 percent of the force; 6.1 percent of service members are single parents. In 2002, the Services met approximately 65 percent of the reported child care need and expected to meet only 80 percent of that need by 2007.

One issue is the difficulty in finding staffing for some centers, especially in Europe. Although DoD Child Development Center personnel are generally paid more than the very low wage rates paid in the civilian communities, some centers continue to report difficulties in finding or retaining the staff necessary to run centers at full capacity.

TMC was pleased that Section 652 of the FY 2003 NDAA granted permanent authority for DoD to provide additional assistance to families of members of the Armed Forces serving on active duty "to ensure that the children of such members obtain needed child care, education, and other youth services." TMC organizations report an increased demand for child care and youth services from families affected by increased operational demands, especially for after-hours care or care closer to families' homes off the installations. Some installations have responded with extended duty child care, both at Child Development Centers and in Family Child Care homes. Some installations are even waiving families' copayments for these extended hours. As of September 2002, the Marine Corps, for example, had approved installation requests totaling more than \$200,000 to support child care needs resulting from Operation Enduring Freedom and related contingencies.

Child Development Centers and Family Child Care homes, however, cannot meet all of the need, especially for families living off the military installation and for the newest active duty families:

the families of the National Guard and Reserve members called to active duty. Most Guard and Reserve families do not live near a military installation where they could access a military Child Development Center, even if it had space for their child. Approximately 53 percent of Selected Reserve members are married with children; 5.4 percent of reserve component members are single parents, compared with 6.2 percent of the active force. When the service member is not home to help care for children, the family needs more child care. In some cases, military spouses are forced to terminate their jobs or drop out of school because they cannot find the child care they need at an affordable rate.

Since 2000, DoD has had the flexibility to increase the availability of child care and youth programs through partnerships with civilian agencies and other organizations. The Services set up pilot programs to take advantage of this flexibility and obtain more care for children off the installation; however, less than 10 percent of DoD child care is provided off-base. Guard and Reserve families, as well as active duty families living and/or working longer distances from an installation need assistance not just with finding quality child care near their homes, but also in paying for that care. When a military family enrolls their child in a military Child Development Center or Family Child Care home, the cost of that child's care is shared between the government through appropriated funds and the service member. When a military family who cannot access child care through the military places their child in a civilian child care facility, that family bears the entire cost.

National Guard and Reserve members are essential to today's military mission. Concerns about finding and affording quality child care when called to active duty affect their mission readiness, just as they affect the ability of other active duty members. The child care needs of activated Guard and Reserve members must be calculated in DoD and Service estimates of demand for child care services and assistance must be given to these families in accessing child care. This should start with referral services, but will probably also need to include subsidies for certain members. TMC encourages DoD and the Services to make better use of the flexibility given them in the FY 2000 NDAA and to partner with community-based child care companies, agencies, and local school districts to assist members of the Guard and Reserve called to active duty in meeting their child care needs.

The Coalition notes that DoD and the Services have successful experience in developing partnerships in their Youth Programs which have become a high priority. Military youth programs offered by both installation Youth Services and the chaplains provide meaningful activities for many military youth, especially in the vulnerable preadolescent years. Partnerships with Boys and Girls Clubs, Armed Forces YMCA, and the 4-H program help to bring additional resources to its youth activities. As the Coalition has stated for several years, however, we believe DoD must do more to work with schools and youth organizations operating outside the gates to reach out to military youth who do not live on the installation. TMC also encourages DoD to continue to seek a balance between structured youth programs and maintaining the availability of youth centers as a safe place for youth to interact with their peers in a more casual, unstructured environment.

Coalition Position: TMC urges DoD and the Services to intensify their efforts to increase access to child care for military families unable to use Child Development Centers and Family Child Care providers located on military installations. The Coalition urges Congress to provide the resources necessary to ensure that support is available for families of all service members called to support contingency operations.

Single Service Member Programs

The Coalition is pleased to note that special programs for single service members also flourish as an integrated part of the MWR program. Although it started primarily as a recreation program, the Army's Better Opportunities for Single Soldiers (BOSS) program has expanded into a well-rounded program of recreation, education, and activities for single soldiers. The BOSS program helps to bring single soldiers into community decision-making through participation in the Army Family Action Plan process and also helps to educate single soldiers about their benefits through cooperation with commissary and exchange officials. The Single Marine Program (SMP) also emphasizes Marines' responsibilities to the community by encouraging them to identify solutions to their quality of life concerns and to resolve them by working through their chain of command. Many participants in the SMP support their communities through Habitat for Humanity, Special Olympics, Big Brothers and Big Sisters, food banks, and other volunteer organizations.

Coalition Position: TMC recognizes the importance of Service single service member programs in integrating these members into the military community while addressing their distinctive needs.

Libraries

The military force is an educated force and values the availability of both the print and technological resources remote areas. TMC urges Congress to work with DoD and the Services to set and meet high standards for library staffing. Materials must be available for recreational reading and research in installation libraries. TMC also encourages the technology, and material acquisition. The Coalition continues to support libraries' efforts to provide Internet access unimpeded by installation firewalls and to add the technology needed for distance learning and access to centralized databases in fixed libraries at installations as well as mobile libraries.

Coalition Position: TMC supports the continued upgrade of libraries as an essential quality of life component for an educated force.

Recreation Facilities

Installation recreational facilities such as bowling alleys, swimming pools, athletic fields, and golf courses continue to be important to the military community's quality of life. True communities are not just made up of houses and places of work; they also include the support facilities to provide community interaction and wholesome, safe activities. MWR recreational activities on installations also draw service members, retirees, and their families and survivors who live off-base back to the installation. This reinforces the cohesion of the military community as a whole. In the current security environment, MWR facilities are viewed as a safe haven in military communities both overseas and in the United States. Military MWR facilities must continue to be responsive to the entire community in order to provide the services needed at a competitive price.

Coalition Position: TMC applauds the Services' work to increase the accessibility of MWR recreation facilities to the handicapped. TMC is also pleased that the Services are conducting more frequent and extensive quality of life surveys of service members, retirees, family members, and survivors. These surveys cover more issues than just MWR facilities, but

provide important information to help these facilities continue to meet the needs of the communities.

Military Club System

In previous testimony, the Coalition has noted the decline of club patronage in many locations due to increased competition from outside the gate as well as a failure of managers to react to that competition. This year, some clubs continue to suffer from a decline in business caused by the heightened installation security and related access problems. In some locations, military clubs are responding to the needs of the community and to the failure of "business as usual" by combining clubs, surveying communities to target activities, or installing a variety of branded service restaurants to draw in a more diverse clientele.

Initiatives to attract customers rate praise from TMC organizations. Club efforts in some locations, however, continue to focus more on raising revenues by increasing facility use fees paid by military-related organizations such as units and spouse clubs. Discouraging community members from using community facilities is not an appropriate means of increasing profitability.

Coalition Position: TMC encourages continued efforts by MWR staff to operate facilities, including military clubs, in a manner that meets the needs of the military communities.

Religious Ministries

Although religious programs are not part of the MWR mission, TMC believes that it must again recognize the close coordination between the religious ministries and many MWR and other support programs. Religious ministries are active participants in the life of military communities. Religious youth programs, for example, supplement the program offerings available from the Youth Centers and are highly-praised in many communities. A program offered by Army Chaplains, "Building Strong and Ready Families" is targeted at improving relationship skills and assisting initial-entry soldiers and their families with making the transition into military culture. The skills gained through this program support both mission readiness and strong families. Religious programs also draw retirees and their families back to the installations.

Coalition Position: TMC believes coordination between chaplains, their staff, and other recreational and support programs enhances the stability of the military communities.

Armed Forces Recreation Centers

The Armed Forces Recreation Centers, managed by the Army but open to active duty members, retirees, and other authorized patrons, provide for enhanced morale by offering resort and vacation opportunities at rates indexed by rank. These facilities report high occupancy and satisfaction among patrons. The current expansion of the Shades of Green at Walt Disney World is indicative of patrons' satisfaction with these facilities.

Coalition Position: TMC notes that plans to expand some Armed Forces Recreation Center facilities and improve security and force protection seem appropriate given the demand and the value provided to beneficiaries.

CONCLUSION

Mr. Chairman, The Military Coalition is grateful to this distinguished Subcommittee for its protection of the commissary benefit and its oversight and support of the military exchanges and MWR programs for the military community around the world. These programs and services bring a touch of home and provide resale items, recreation and education opportunities for deployed service members and for military families located far from home. On military installations, the commissary, exchange, and MWR programs provide a community focal point involving families, retirees, survivors, and single service members. We stress the importance on quality standards and value to the customer, and the fact that commissaries, exchanges, and MWR activities are vital quality of life components for today's force.



National Military Veterans Alliance
5535 Hempstead Way, Springfield, VA 22151

Phone: (703) 750-2568
Fax: (703) 354-4380

STATEMENT OF

The National Military and Veterans Alliance

Before the

Subcommittee on
The Total Force
Committee on Armed Services
United States House of Representatives

Presented By

Major General Richard D. Murray, USAF (Retired)
National Association for Uniformed Services
5535 Hempstead Way, Springfield, Virginia 22151

12 March 2003

Perspectives on
Military Commissaries, Exchanges, and Morale, Welfare, and
Recreation Programs

"Representing the Total Force"

Curriculum Vitae and Organizational Disclosure Statements

Richard D. Murray, President, National Association for Uniformed Services (NAUS)

General Murray, US Air Force (Retired) has been the President of NAUS since October 1998. His military career spans 31 years, which started an enlisted member of the United States Marine Corps. In 1954, he entered the U.S. Air Force after graduating from Baylor University. His service includes assignments within the United States and overseas as a base budget officer, base comptroller, Comptroller and Director of Budget at Major Air Force Commands, and Deputy Director of Budget at Headquarters, Department of the Air Force. His last active duty assignment prior to retirement in 1985 was Commander of the Army and Air Force Exchange Service. Subsequent to his retirement he also served as President of the American Logistics Association.

His military decorations and awards include the Distinguished Service Medal, Legion of Merit, Bronze Star Medal, Meritorious Service Medal, Joint Service Commendation Medal, Air Force Commendation Medal with one oak leaf cluster, Republic of Vietnam Armed Forces Honor Medal 1st Class and Republic of Vietnam Air Service Medal Honor Class.

Disclosure

The National Association for Uniformed Services (NAUS) has not received a grant from (and/or sub grant) or a contract (and/or) subcontract) with the federal government for the past three fiscal years.

Disclosure

The National Military Veterans Alliance (NMVA) has not received a grant from (and/or sub grant) or a contract (and/or) subcontract) with the federal government for the past three fiscal years.

Introduction

Mr. Chairman and distinguished members of the subcommittee, I want to thank you for the opportunity to testify on behalf of the National Military Veterans Alliance. This testimony represents the views of the 26 military and veteran's organizations with a combined membership of some 2.6 million military veterans and currently serving men and women of all seven uniformed services, their families and survivors. These organizations are listed below:

American Military Retirees Association	National Gulf War Resource Center
American Military Society	Naval Enlisted Reserve Association
American Retirees Association	Naval Reserve Association
American WWII Orphans Network	Paralyzed Veterans of America
AMVETS National Headquarters	Society of Medical Consultants
Catholic War Veterans	Society of Military Widows
Class Act Group	The Retired Enlisted Association
Gold Star Wives of America	TREA Senior Citizen League
Korean War Veterans	Tragedy Assistant Program for Survivors
Legion of Valor	Uniformed Services Disabled Retirees
Military Order of the Purple Heart	Veterans of Foreign Wars
Military Order of the World Wars	Vietnam Veterans of America
National Assoc. for Uniformed Services	Women in Search of Equity

We are grateful that this subcommittee is holding a hearing on a subject of great importance to our members, and the men and women of the uniformed services now actively engaged in fighting the War on Terror and their families.

The commissary, exchange and morale, welfare and recreation activities are critical to the morale and esprit-de-corps of military units and family members. The commissary benefit not only ranks at the top of career incentives along with pay and medical care but also saves our national budget millions of dollars in military pay each year.

The Commissary System

The commissary as part of the military compensation package is especially critical to the welfare of military families whose military sponsor is serving in the lower ranks near the poverty line. And, just as important, the commissary is also a bargain for the Department of Defense; to replace the benefit with pay would require DoD to spend \$2 for every \$1 the commissary now costs the government.

The commissary system was established over 100-years ago, because of the abuses under the "sutler" system and the fact that more troops were dying of sickness caused by bad food than of combat wounds. In 1896 the Congress directed the Army to provide unspoiled food to military personnel for sale at cost.

In 1974, Congress added surcharges to prices charged by commissaries to provide for funds for "construction, renovation, and other improvements". In 1989 the Defense Commissary Agency (DeCA) was established to "ensure uniform commissary practices and policies for the armed forces and to integrate the commissary system into the overall force management structure, especially including management of subsistence, war readiness, and materiel in peacetime and wartime.

Commissaries are operated for the benefit of military personnel and their families. The commissary benefit is highly prized by its recipients who consistently rate it along with pay and medical care at the top.

The question: "Why is the Department of Defense in the grocery business?" was answered by Napoleon in the 19th Century when he said, "An Army marches on its stomach". So long as we have Armed Forces, the nation's military should be in the grocery business. While some may believe that providing groceries is a "civilian" function and push to get the military out of the grocery business because of "best business practices", the fact is, the best military practice is to retain and maintain them. With over 50 percent of our military personnel married and the recognition that families are an integral part of our military community, every action must be taken to build cohesion, and show clearly that the military "takes care of its own".

Now is the wrong time to attack the commissary system as too expensive or as ripe for privatization. The commissary system should be fully funded and made the first class operation it can be. It must be even more accessible to all of the families of the recently activated reserve and National Guard and individuals around the United States and overseas. Our warriors should not have to watch their backs to prevent the erosion of benefits at the very time they are going into harm's way.

Last year the Department of Defense cut the personnel authorizations of DeCA by 2,650 spaces and an associated \$137,000,000. They have gone too far - they have created problems in some of the commissary stores; long lines at checkout counters and shortages on the shelves have begun to appear.

We are also concerned with accountability. We understand that with all the cuts in place that commissary stores are not sufficiently staffed to verify 100 percent of their merchandise upon delivery/receiving of products. Instead, DeCA has adopted a policy of random sampling of only "15 percent on all dry, frozen and chilled merchandise." We are concerned that this policy will create inventory discrepancies and shortages, which will result in higher prices to patrons. In fact, in the past few years, 1% has been added to the cost of groceries to cover "shrinkage".

Commissaries are not profit-making grocery stores. They are an outstanding benefit that helps the Department of Defense to keep and maintain a high quality fighting force.

Those who would privatize the commissaries generally look at the big stores that generate excess surcharge income. However, 20 percent of the commissaries account for 80 percent of the entire commissary sales volume. This enables the other 80 percent of the commissaries in remote and underserved locations to provide the benefit to military personnel and their families ordered into these areas.

The new Commander of DeCA, Major General Mike Wiedemer, USAF, has begun a process to rebuild the morale and accountability, which had badly deteriorated. We urge this subcommittee to ensure the viability of this effort and to see that adequate funding is provided - particularly during

this highly stressful period affecting military families because of frequent overseas deployments of their military sponsors.

In 2001, DeCA prepared a Market Basket Price Comparison Study. The study showed the categories of purchases and their percentage of savings for both without Tax / Surcharge and with Tax/Surcharges. For the purpose of this testimony I will summarize the saving for only the percentages with Tax / Surcharge for the Market Basket of the following different areas:

48 Contiguous States

<u>Market Basket Items</u>	<u>Percent of Savings with Tax/Surcharge</u>
Meat	29.9
Produce	33.8
Grocery Other-food items	29.5
Frozen Foods	36.7
TOTAL FOOD	28.6
Health and Beauty	24.6
Non-Good Grocery	26.6
OVERALL TOTAL	27.9

For **Alaska** and **Hawaii** the total commissary shopping savings compared to commercial supermarkets in the proximity of selected commissaries were **32.1%** and **48.2%** respectively.

Worldwide total commissary shopping savings compared to commercial supermarkets in the proximity of selected commissaries were **29.2%**.

Truly, this is a benefit that is part of the military pay and compensation package worth retaining and maintaining.

The Military Exchange System

Background. During the Revolutionary War, provisions were made in the American Army for the appointment and control of private entrepreneurs known as "sutlers" who provided the troops with various daily necessities including wine and liquor, to supplement the regular Army rations. Each post or regiment could appoint one sutler. Each month the post or regimental sutler was assessed a charge of 10 or 15 cents per soldier that was paid out of profits. This money was to establish a special post fund – now referred to as a non-appropriated fund activity – for the benefit of the troops. There was great dissatisfaction with the system, because of high prices and shoddy merchandise. Further, the sutlers extended credit, which often left soldiers badly in debt, to the detriment of morale. Abuses became particularly flagrant during the Civil War and in 1866 Congress abolished the system. In 1895, the Department of the Army General Order Number 46 established the Post Exchange system from which the current exchange system evolved.

Shortly after the Air Force was organized the Army and Air Force Exchange Service (AAFES) was established in 1948.

The Navy and Marine Corps Exchange system evolved in much the same way – so called "bumboats" served Navy ships early in the nation's history in much the same way that the sutlers served the Army. The Navy established Ship Stores in 1909. Navy shore-based exchanges came under the governance of the Navy Department in 1923 and were consolidated with the ship store operation under the Navy Ship Store Office following World War II.

The military exchanges are non-appropriated fund instrumentalities of the Department of Defense and contribute greatly to morale and welfare of military personnel and their families. Exchanges are largely self-funding and a surcharge on goods sold in the exchange is used to fund various morale, welfare and recreation activities.

With the high tempo of operations, the War on Terror and the deployments to the Middle East the services provided by the Army and Air Force Exchange System are key morale boosters. The Exchange Systems have a long history of service to military personnel from the World Wars to the present. During Operations Desert Shield/Desert Storm, in the theater

support involved 17 sales stores, 152 field exchanges and 610 movie circuits. AAFES has also supported operations in Croatia, Macedonia, Uganda and Haiti.

Prompt reaction to these hot spots around the world in support of our troops is possible because AAFES focus is service rather than profits.

The current Exchange Systems are working well. The focus should be on supporting the exchange system effort and to continue providing morale enhancing support to our personnel around World. Now is not the time to distract the exchanges efforts by externally imposed reorganizations or consolidation efforts. Plus, the competition among the exchanges is beneficial to their customers. The entire focus should be on pushing support forward wherever our forces are in harm's way.

Conclusion

Mr. Chairman, when Vice President Dick Cheney was the Secretary of Defense, he stated on many occasions that the Number One priority in DoD is people. Ten years ago, I testified before the Morale, Welfare and Recreation Panel of this committee in support of that statement. I agreed with him then and I testify in support of that statement today. However, more must be done than talk. Our men and women of the Armed Forces and their families deserve a top quality, worldwide commissary and exchange benefit. I ask you and the distinguished members of this committee to continue to see that Major General Mike Wiedemer, Commander of the Defense Commissary Agency, Major General Kathy Frost, USA, Commander AAFES, Rear Admiral William J. Maguire, Commander, USN, Navy Exchange Service and Michael P. Downs, Director, Personal and Family Readiness Division, Marine Corps Community Services receive the necessary support to make their activities truly world-class for our military personnel and their families.

I am glad to answer any questions you may have.



Armed Forces Marketing Council

3611-C CHAIN BRIDGE ROAD • FAIRFAX, VA 22030-3246

Telephone: (703) 273-6590
Fax: (703) 273-6593

Statement of

Lloyd Johnson

Vice Chairman

Armed Forces Marketing Council

before the

Subcommittee on Total Force

Committee on Armed Services

United States House of Representatives

March 12, 2003

Submitted for the record
Not for publication until
released by the House
Armed Services Committee.

Prepared Statement of Lloyd Johnson

Mr. Chairman and members of the Subcommittee on Total Force, my name is Lloyd Johnson, Vice Chairman of the Armed Forces Marketing Council (AFMC). The Council was incorporated in April 1969 as a non-profit business league, composed of firms representing manufacturers who supply consumer products to military resale activities worldwide. (A list of firms serving on the Council is at Exhibit 1)

The AFMC mission is, as follows:

- Promote unity of effort through a cooperative working relationship among the Congress, the military, and the industry.
- Promote awareness of sales and marketing agency services to the military resale systems.
- Provide a forum for addressing industry issues.
- Assure worldwide availability of quality consumer products at the best possible prices.
- Assure continued congressional support and funding of the resale system.
- Assist in making the resale system an integral part of military life.

Additionally, Council firms subscribe to a code of ethics requiring that each member firm maintain a high level of integrity and professional conduct, critical to the continuation of successful service to the Armed Forces and American manufacturers.

Military sales and marketing agencies, comprised largely of small, privately-held businesses, started in response to the need for specialized sales representation to this unique military resale worldwide market. These firms have developed marketing and merchandising programs specifically tailored to the military resale systems resulting in

better services and lower prices to the military patron. Through the link they form between the resale systems and the manufacturers, they have also helped to assure the continuous worldwide availability of the complete array of consumer products normally available to the civilian market.

AFMC firms, representing over 400 manufacturers, some of which are also small or minority-owned businesses, have made significant contributions to the military resale market. They also play a leading role in assisting the resale systems to become part of the very fabric of military life, such that commissaries are now rated the number one benefit by the Armed Forces community. Our firms have a total of 2,839 people working directly in the stores and with the headquarters, side by side with our military partners, to make sure that the right products are on the shelf in the right quantities and at the right prices.

I believe it is important to convey to the members of the subcommittee how the AFMC members see themselves:

- As "stakeholders" in the military resale system
- As interested in and concerned about the continued viability and health of the resale systems.
- As having a perspective based on many decades of experience.

Mr. Chairman, the AFMC is keenly and sincerely interested in the successful continuation of the military resale system and the value of the benefit as it exists today. I trust any information and perspectives offered today will be of value to you in your review of the resale systems.

Core Competency of DoD

Mr. Chairman, the AFMC disagrees with the Secretary of Defense that commissaries and exchanges are not a Department of Defense "core competency." We contend that they are part of regular military compensation; they play a significant role in recruitment, retention, and readiness; and they impact the quality of life of the most important military asset -- people.

These operations are about people and they are truly tried and tested business-like operations that serve the Armed Forces community well.

For all these reasons, I believe the resale systems merit the full support of Congress and the Administration. With this in mind, the Armed Forces Marketing Council sincerely and respectfully requests that Congress act to modify Title 10 of the U.S. Code to ensure the continued operation of commissaries and exchanges as a core competency of DoD available to all members of the Armed Forces community, whether they be active, retired, reserve, or National Guard. We also believe that Title 10 should be further strengthened to preclude any further outsourcing of the resale systems to the private sector without the express consent of Congress.

Privatization

The Armed Forces Marketing Council is gravely concerned over recent overtures by the Defense Department regarding privatization of the military resale systems. To do this would jeopardize an institution that has been legislatively recognized since its inception as an integral part of total compensation for the military, regardless of status or rank. Privatization of commissaries or exchanges would reduce the level of the savings and dividends delivered to the Armed Forces community and therefore would

be contrary to statements made by the President and Secretary of Defense in the DoD Social Compact in support of improving the quality of life of our all-volunteer military and their families.

Proponents of privatization fail to account for such challenges as the need to operate stores in remote and overseas locations which would be unprofitable, the cost to transport U.S. goods overseas, the loss of commissary surcharge revenues so essential to re-capitalization, and the loss of exchange service contributions to fund Morale Welfare and Recreation activities.

Numerous surveys confirm that military families regard commissaries and exchanges as extremely important to their quality of life, not only because of the savings they offer, but also because of the sense of community they convey. Privatization will degrade the savings, and destroy a vital part of the military fabric of life.

With regard to commissaries specifically, both Congress and the Defense Department have reviewed numerous proposals to implement or test commissary privatization. They have repeatedly concluded that privatization would not produce acceptable operating cost savings to the government, nor would it produce savings to the patron without a substantial subsidy to the operator and considerable alteration of the parameters under which commissaries operate. Why so much effort continues to be devoted to privatize this vital benefit is beyond comprehension. Those reviews were, as follows:

- A joint GAO-CBO review in 1984 could not validate the savings estimates for either closing or privatizing commissaries.

- A GAO critique in 1985 of the Grace Commission study concluded that estimates of savings from privatization were questionable.
- A mid-1980's test of contracting out commissaries failed.
- Privatization recommended by the Defense Science Board in 1995 was determined unworkable.
- A CBO study in 1997 again proposed contracting out, but admitted that prices to the patron would rise.

To those who contend that the commissary benefit can be continued at its current value to the patron, but operated by the private sector with no cost to the government, I submit this an economic impossibility! Commissaries by law must sell products at the level that will recoup the actual product cost of the item. Continuing the same value to the military patron translates to retaining the same savings, the same product variety and availability, and comparable physical facilities.

Savings to the customer in commissaries -- about 30% -- demonstrates their cost-effectiveness to the taxpayer. The price differential between commissaries and private sector grocery stores equates to a dollar savings total which is more than twice the amount appropriated to operate the Defense Commissary Agency -- a significant return on investment. (See Exhibit 2: The Case for Military Commissaries)

Mr. Chairman, we submit that any attempt by the DOD to privatize any part of the resale system would severely damage the morale of service members and their families at a time when we are putting them in harm's way.

Funding for Commissaries

The AFMC supports full funding for commissaries. During 2002, the Defense Commissary Agency underwent a significant workforce reduction. Because AFMC has people working directly in every store around the world, we have a unique insight into the stressful impact of this workforce reduction. AFMC applauds the people of DeCA for working heroically to minimize disruption of service to the patron; however AFMC believes that any further funding or personnel reductions could not be absorbed without degrading the benefit.

Variable Pricing of Commissary Products

Initiatives may be proposed to reduce the commissary appropriation by implementing variable pricing on products sold in commissaries or by converting some commissaries to the BXMart format, where variable pricing would be applied to some of the commissary categories. Either of these options clearly would reduce the value of the benefit, which in turn reduces military compensation. Today the commissary benefit is defined as selling all authorized commissary categories of goods at cost plus a five percent surcharge. AFMC strongly supports a continuation of this delivery of the benefit.

Armed Services Exchange Regulation Restriction

Mr. Chairman, we all recognize that military exchanges provide a non-compensation benefit through self-sufficient stores operated exclusively for, and in support of, their own authorized patrons. However, they continue to be restricted from providing a full range of products and services to these patrons. Over the years, many

of those restrictions have been lifted, but several remain. The patron must turn to local commercial stores, where prices are usually higher and credit interest rates are always much higher, to fill needs not permitted to be offered in their company store. The current Star Card rate of 9% is a benefit to patrons that offers savings of 50% or more when compared to commercial credit card rates. Patrons should be able to use this benefit to buy any consumer product they desire without restriction. While the AFMC strongly supports lifting of all current ASER restrictions, we concur with our exchange partners that the restrictions concerning TV's, furniture merchandising and jewelry are the most onerous to patrons. The argument that lifting such restrictions would adversely impact outside the gate retailers is greatly exaggerated. In any event, the benefit to military patrons far outweighs the minor impact on those civilian retailers, most of whom are large, national businesses.

Exchange Services Integration

Mr. Chairman, we are aware that integration of exchange services continues to be under consideration by the DOD. The Council suggests that any integration of the military exchange services should be attempted only when there is conclusive evidence that it would in no way degrade the current level of the benefit for the patron, when there is a common information technology system in place, and when all the stakeholders agree there is no doubt that anticipated efficiencies and economies would be realized. We strongly believe that these conditions for merger have not been met. We do applaud and support the cooperative efforts of the exchange systems

Private Label Products in Commissaries

The GAO in a report in December 2002 entitled, "Defense Commissaries -- Additional Small Business Opportunities Should Be Explored," recommended the removal of a provision in Section 2486(e) of Title 10 USC, which prohibits "the Defense Commissary Agency's (DeCA) consideration of products that have not yet achieved regional distribution." The Department of Defense concurred in this recommendation.

Mr. Chairman, the AFMC respectfully and strongly disagrees with the recommended action. We contend that it would not benefit small business and could lead to an effort by DoD to impose variable pricing in commissaries to gain revenue, a move which, as mentioned earlier in this testimony, would degrade the current non-pay compensation value of commissaries.

It should be noted that the majority of private label products are produced by large manufacturers, not small businesses. Any inclusion of private label in commissaries would mean the removal of some products to make room on the shelves. This would result in deletion of many small business products currently on commissary shelves.

Other objections to private label in commissaries:

- DeCA would need additional people to manage this new category of products.
- The existing "Best Value Item" program fills the private label need.
- Quality control would be DeCA's responsibility.
- Since it is a DeCA-owned product, there could well be liability implications.
- There would be an advance purchase requirement for a given quantity of product.

- It undermines the cooperative nature of the relationship between DeCA and its suppliers and significantly alters the savings to commissary patrons.

Vendor Stocking in Commissaries

Vendor stocking of selected products over the past thirty years has proven to be a less than satisfactory solution to getting those products to the shelves. It requires the use of independent contractors, who cannot be effectively supervised and has led to all too frequent out-of-stock conditions.

Mr. Chairman, in view of this situation, the Council would welcome a solution wherein all shelf stocking would be accomplished by commissary employees. Possibly DeCA could conduct a pilot or test program, using a flexible workforce, or through some means of direct payment from commissary suppliers, for reassuming stocking of products now stocked by vendors.

Summary

Mr. Chairman, the Armed Forces Marketing Council believes in the importance of continuing the resale system benefit as it exists today. It is the most highly valued benefit of the Armed Forces community. We believe it is a core function of DoD which, by enhancing quality of life, contributes immeasurably to recruitment, retention, and readiness. It is a vital part of the fiber of military life.

In view of the billions of dollars spent on development and procurement of the best weapons and materiel, the resale system represents a reasonable cost to take care of the singularly most important element of the Armed Forces -- people!

Thank you, Mr. Chairman and members of the Subcommittee on Total Force, for your support of these vital benefits and for the opportunity to offer my comments to you today. I stand ready to take any questions you may have.



Armed Forces Marketing Council

3611-C CHAIN BRIDGE ROAD • FAIRFAX, VA 22030-3246

Telephone: (703) 273-6590
Fax: (703) 273-6593

MEMBERS

DIXON MARKETING, INC.

501 Center Boulevard
P.O. Box 1618
Kinston, NC 28503-1618
Laura E. Dixon, CEO
252/522-2022
252/527-3967 FAX

DUNHAM & SMITH AGENCIES

101 Merritt 7 Corporate Park
Norwalk, CT 06851-6009
F. Jed Becker, Chairman & CEO
203/847-0800
203/840-8978 FAX

EURPAC SERVICE COMPANY

3001 Skyway Circle, N., Suite 160
P.O. Box 167568
Irving, TX 75016-7568
William Doyle, President
972/257-1945
972/258-1678 FAX

C. LLOYD JOHNSON COMPANY, INC.

8031 Hampton Boulevard
Norfolk, VA 23505
Lloyd Johnson, Chairman & CEO
757/423-2832
757/451-1085 FAX

MOHAWK MARKETING CORPORATION

2873 Crusader Circle
Virginia Beach, VA 23456-3133
John P. Madden, President
757/499-8901
757/497-6690 FAX

OVERSEAS SERVICE CORPORATION

1100 Northpoint Parkway
West Palm Beach, FL 33407
Frank J. Hogan, President & CEO
561/683-4090
561/683-4031 FAX

S & K SALES CO.

2500 Hawkeye Court
Virginia Beach, VA 23452
Richard T. Ray, President
757/460-8888
757/468-1672 FAX



Armed Forces Marketing Council

3611-C CHAIN BRIDGE ROAD • FAIRFAX, VA 22030-3246

Telephone: (703) 273-6590
Fax: (703) 273-6593

The Case for Military Commissaries

The military commissary system is a proven, cost effective government program. It provides taxpayers a substantial return on their investment, and contributes toward a properly compensated military force. Misguided proposals to privatize the commissary system fail to recognize or sufficiently credit the following:

1. Computation of total military compensation considers the savings realized from shopping in commissaries. It follows that any reduction in those savings amounts to a reduction in military pay.
2. Commissaries effectively reduce the Defense budget by over one billion dollars, because their non-monetary compensation value to military people is more than double the amount of taxpayer dollars appropriated for their operation (See Enclosure)
3. Military members and their families consider commissaries to be the number one non-cash compensation program. To tamper with the commissary program would invite a severe adverse reaction and negatively impact morale, recruitment, retention, and readiness.
4. The Defense Commissary Agency (DeCA) has effected considerable reductions in operating costs and adopted the best commercial business practices, for which it has received three Hammer awards.
5. In operational productivity, commissaries surpass comparable commercial grocery stores in sales per operating hour, employee, store, and square footage.
6. In order to promote efficiency DeCA has already outsourced (contracted out) many in-store functions; such as, shelf stocking not provided by suppliers, custodial services, and delicatessens.
7. Privatization would cause the demise of many small and minority owned businesses; such as local and regional suppliers, distributors, manufacturers' sales representative firms, and firms granted set-asides.
8. A private sector contractor would use cheaper foreign flag carriers for overseas transportation. However, the Fly America Act of 1974 and the Cargo Preference Act of 1904 and 1954 require the use of American flag carriers for overseas transportation. The Defense Transportation System that the DoD maintains and

Exhibit 2

exercises in peacetime is a vital element of DoD's capability to project power worldwide, and is key to responsive force projection and a seamless transition between peacetime and wartime operations.

9. Privatization of commissaries without a sizable taxpayer subsidy would be an economic impossibility were a privatized system required to observe the same ground rules as commissaries:
 - Sell all products at cost as required by law
 - Offer the same savings or compensation value
 - Stock the same product categories
 - Operate comparable physical facilities
 - Maintain service even in those small, remote and overseas locations where it is uneconomical to do so.
10. Commercial grocery stores carry a wider assortment of products to meet required gross profit margins and company profit expectations. This could not be done in commissaries without an adverse impact on the exchange services that must carry those products at a markup to cover operating expenses and inventory costs, while still generating dividends sufficient to meet MWR commitments.
11. A privatized system would no longer be exempt from the Robinson-Patman Act; i.e., manufacturers could no longer offer lower prices to a privatized commissary system than they do to other customers.
12. A privatized system would be required to collect state and local taxes, thus raising prices to the patrons.
13. Historically, government contract costs for large operations have frequently escalated to the point where they exceed the cost of performing the function in house. Privatization of the commissary system would be an irrevocable step with unforeseen long-term consequences
14. Privatization would also result in loss of the following:
 - Surcharge revenue so essential to recapitalization. Currently, facilities built with this money, which is collected from the patrons, become the property of the federal government.
 - Vendor labor-saving support provided at no cost to the government; such as, shelf stocking and in-store merchandising which is not provided by vendors to

the same degree in commercial grocery stores, except for Direct Store Delivery items -- dairy, soft drinks, and some snacks.

- Small and disadvantaged business set-asides currently required of the Defense Commissary Agency.
- Support for the NISH and the National Industry for the Blind (NIB) who currently supply goods and services to the commissary system
- DoD infrastructure support. Commissary use of DoD communications, accounting, subsistence, postal, and utilities functions leverage rates charged to other DoD customers.

15. Past reviews have concluded that privatization will not work:

- In 1984, a joint GAO-CBO review could not validate the savings estimates for either closing or privatizing commissaries.
- In February 1985, a GAO critique of the Grace Commission study concluded that estimates of savings from privatization were questionable.
- A test of contracting out commissaries in the mid 1980's failed.
- Privatization recommended by the Defense Science Board in 1995 was deemed unworkable.
- In October 1997, a CBO study again proposed contracting out, but recognized that prices to the patron would rise.



The Value of the Commissary Benefit

Commissary patrons save more than \$2 for ever taxpayer dollar spent on commissaries (Dollars in Millions)

• Commissary Sales	\$4,963
• Survey Savings	30%
• Off Installation Cost	\$7,090
• Savings at DeCA	\$2,127
• DeCA FY 00 Cost	\$1,052
• Savings/Cost Ratio	2.02

To replace commissaries with a cash allotment and maintain the level of the benefit would cost American taxpayers the \$1.052 billion they pay now plus and additional \$1.075 billion. Anything less is degradation of the commissary benefit.

Enclosure to Exhibit 2

STATEMENT BY:
BOYD W. RAINES,
CHAIRMAN, AMERICAN LOGISTICS ASSOCIATION
BEFORE THE SUBCOMMITTEE
ON TOTAL FORCE
ARMED SERVICES COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES
FIRST SESSION, 108TH CONGRESS
HEARINGS ON
PATRON AND INDUSTRY PERSPECTIVES ON MILITARY
EXCHANGES, COMMISSARIES AND MORALE WELFARE AND
RECREATION PROGRAMS
MARCH 12, 2003

NOT FOR PUBLICATION
UNTIL RELEASED BY
THE HOUSE ARMED SERVICES COMMITTEE

Mr. Chairman and Members of the Subcommittee:

It is an honor to be here today as Chairman of the Board of the American Logistics Association (ALA) representing over 400 of America's leading manufacturers, over 100 brokers and distributors and the more than 1,600 individual members, who are actively engaged in providing goods and services to the military resale and MWR activities. The membership of our Association is comprised of both large and small businesses, with over 55% of our member firms being from the small business arena. Our members include companies listed on the Fortune 500 such as PepsiCo, Kellogg's, Procter & Gamble, Gillette, Kraft, The Clorox Company as well as small businesses such as Amazing Buys, Family Media, Fitlinxx, Hawaiian Isle Kona Coffee and Elite Foods. Not only do ALA members supply goods and services to the military community; they employ several thousand spouses, family members and retired service members. ALA member firms including brokers, manufacturers and distributors offer employment opportunities for a wide range of full-time and part-time positions located on US military installations around the world, as do the military resale and MWR activities.

Not only am I here today to speak to the relevance and engagement of ALA members within the military resale and MWR community, more importantly, I am here today as an advocate for an enhanced Quality of Life for our nation's military service members, retirees and their families.

The American Logistics Association advocates a strong national defense. You, as members of Congress, are acutely aware of the threats to our national

interests both at home and around the globe. If our nation is to maintain its position of pre-eminence, we must continue to field the world's most capable and professional military force. Our nation's military must be equipped with high quality weapons systems that are manned and maintained by well-trained, well-supported and highly qualified personnel. Weapons systems without the quality personnel to operate and maintain them have little value for our national defense.

Our Association actively supports and promotes programs that lead to enhanced Quality of Life for our military service members, retirees and their families. For our Armed Forces to be effective, we must attract the best and the brightest talent that our nation offers. Quality of Life plays a key role in recruitment and retention of our military service members. This fact was well documented in the Quadrennial Defense Review Report published in September 2001. The report states: "The quality of life in the military is critical to retaining a Service member and his or her family." Commissaries, exchanges and MWR activities are essential contributors to Quality of Life programs. Studies indicate that a family of four can save approximately \$2,400 per year by shopping at the commissary. A savings of \$2,400 per year for a young military family of four with an income just above the poverty level has a direct bearing on their Quality of Life.

According to patron surveys, the commissary shopping privilege is ranked as a highly desired and important non-pay compensation benefit for military families. The commissary delivers significant value to the military community that far exceeds the cost to operate the Defense Commissary Agency (DeCA).

Congress has provided funding for military commissaries at a level of approximately one billion dollars for each of the past five years. In return, the Defense Commissary Agency has delivered savings to military patrons of more than two billion dollars per year. For every dollar of appropriation granted by Congress, the military patron receives two dollars in value. Based on the importance of the benefit and the demonstrated value that the commissary delivers to the military community, ALA supports the continuation of appropriated funding of commissaries.

ALA encourages efforts to improve commissary store operations and the overall shopping experience for patrons. ALA members seek opportunities to partner with DeCA to facilitate testing of new methods and procedures that will lead to improved product availability and greater patron satisfaction. One such program in which we are particularly interested relates to vendor shelf-stocking for approved categories of products. ALA member firms welcome the opportunity to partner with DeCA to test alternative methods and strategies to ensure that commissary shelves are stocked to meet patron needs.

The safety and security of the food supply for our uniformed personnel are paramount given the threat of terrorism facing our nation. This is an issue that is deserving of immediate focus and attention. Industry welcomes the opportunity to work with DeCA and other agencies to ensure that our military community is protected from the threat of terrorism directed at food sources.

Exchanges are a key component of the Quality of Life of uniformed service members. Each year the exchanges provide hundreds of millions of

dollars in dividends that are returned to the military community. Without these dividends, MWR activities would not be able to fulfill their mission and as a result, many worthy programs such as day-care centers, youth programs, fitness centers and recreational programs would be negatively impacted. ALA supports full appropriated funding for all MWR mission sustaining and community support programs. ALA believes that these programs directly impact readiness and retention and are deserving of a full appropriation.

Exchanges provide direct support to American service members deployed around the world to include those deployed in conjunction with Operation Enduring Freedom. Tactical Field Exchanges (TFE's) offer our troops a way to remain connected with home while they are deployed. This fact was illustrated by a recent news broadcast on CNN that originated from the AAFES exchange at Camp Doha in Kuwait. The broadcast featured interviews with young service members who were obviously enjoying a break in their daily routine by visiting the exchange food court that had recently opened. At sea, service members stationed aboard U.S. Navy warships have access to the personal care items that make life aboard ship more livable. Also, Marine TFE's are currently deployed to bring the same support to land based Marine forces located in hostile environments. Sometimes it's the little things that lift the morale of our troops. Things that we here in America take for granted can "make your day" if you have been at sea for several months or if you have recently returned from thirty or more days in a forward position in the desert.

It is ALA's view that exchanges, commissaries and MWR activities are an integral part of the military community and the military culture. These functions provide a much-needed sense of community for the military family. This is especially true in overseas areas where these activities help our service families stay in touch with America.

The ALA supports efficient and effective policies that govern the military resale agencies and MWR activities. However, we are concerned about certain proposals that may, in fact, hinder the resale system from achieving the objectives that have been mandated by Congress.

Mr. Chairman, the ALA has concerns about an initiative being undertaken by the Department of Defense, as it relates to resale and MWR activities, to redefine its core mission strictly in terms of warfighting capabilities. Under this initiative, non-warfighting activities such as commissaries, exchanges and MWR programs would be subject to privatization or other restructuring utilizing a core competency assessment model. If one views the well being of the men and women of America's Armed Forces as an essential component of our nation's warfighting capabilities, then taking care of the military service members and their immediate families through Quality of Life programs is arguably a "core competency" that the Department should pursue. ALA believes that Quality of Life programs should be considered a core activity of the DoD since these programs are essential for recruitment, retention and the readiness of our military service members and their families.

Mr. Chairman, the ALA also has concerns about the continued budgetary pressure coming from within the Department of Defense that will result in reduced funding for commissaries. As an example of the continued "competition for scarce resources" within the Department, a proposal was developed last October that "Defers all major and minor construction of commissaries from FY 2004 to FY 2005 due to pending Base Realignment and Closure (BRAC) decisions and realigns asset to offset the cost of operations." In short, the proposal, contained in a draft of Program Budget Decision 419 sought to divert \$109.3 million dollars from the surcharge account into operational accounts. Fortunately, Congress had previously taken measures to prevent such an occurrence and PBD 419 was withdrawn. However, this example illustrates the need for continued oversight of military resale programs by the Congress. We must not allow effectiveness to be sacrificed in the name of efficiencies and cost savings that have an unintended consequence of lowering the living standards of our military families. Mr. Chairman, the ALA supports full funding for DeCA and opposes proposals that would divert surcharge funds into operational accounts.

We also have concerns about proposals to add private label products to the commissary stock assortment and to introduce variable pricing strategies in order to generate alternative funding for commissaries. A recent GAO report on the subject (GAO-03-160-December 2002) failed to address the impact of introducing private label products on small businesses currently supplying DeCA. Under a category management approach, private label products would likely displace products now offered by other small businesses that produce branded

products as defined by current product assortment guidelines. Further, due to shelf space constraints, we anticipate that there would be no net increase in the number of small business suppliers to DeCA even if private label were to be introduced. Additionally, in order to make private label viable in the commissary; the shelf price of nationally branded products would have to be increased in order to create pricing gaps necessary to generate a profit margin on the private label alternatives. The ALA believes that the introduction of private label and variable pricing in commissaries will lead to increased costs to the patron and a degradation of the benefit.

Regarding exchanges, ALA supports recent initiatives to eliminate all restrictions on the exchange stock assortments contained in the Armed Services Exchange Regulation (ASER). Our military members want and deserve access to products to meet their families' needs without restrictions. Military patrons should not be relegated to a second class status relative to product choice and availability.

The ALA supports the primacy of exchange and commissary stores in all military housing areas. We believe that the current policy regarding this issue is appropriate. Civilian retail outlets should not have authority to operate in military housing areas without the consent of the Board of Directors from the appropriate resale agency.

Construction and modernization programs for both stores and support facilities to include capital funding for distribution centers should remain a top

priority for resale activities. An appropriate level of construction funding is essential to provide a "quality" shopping experience for the military patron.

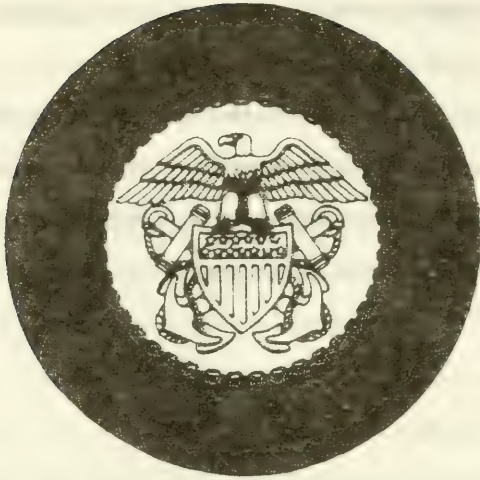
Mr. Chairman, the Congress has before it an opportunity to ensure that the benefits for our military members and their families, that it has long supported, remain viable. That is why the American Logistics Association supports Congressional action to strengthen Title 10 of the United States Code as it relates to commissaries, exchanges and MWR activities.

Mr. Chairman, there is, at present, no statutory provision that identifies the authorized beneficiaries of shopping privileges in commissaries and exchanges. ALA supports equitable access of the military community to the benefits provided by commissaries, exchanges and MWR activities. Not only does the ALA support continuation of shopping benefits for the current recipients, we support extending full commissary shopping privileges to Reservists and National Guardsmen, both active and retired. Since the Reserve and National Guard components are an integral part of the force structure, we believe that they deserve expanded shopping privileges. Further, ALA supports extending commissary shopping privileges to all full-time DeCA employees.

Additionally, we request that Congress make an enduring commitment to provide the benefits provided by commissaries, exchanges and MWR activities. Mr. Chairman, the ALA believes that our military community is deserving of this commitment, especially considering the current world situation and the sacrifices being made by our military members and their families. Without the continued support of the Congress of the United States, we believe that the benefits now

afforded to our military community will be eroded and our service members will suffer.

Thank you, Mr. Chairman, and Members of the Subcommittee for allowing industry to share our views regarding military exchanges, commissaries and MWR Programs. More importantly, thank you for your stewardship of these important benefits that are, in our view, essential to our military families' Quality of Life.



TESTIMONY OF

NAVAL RESERVE ASSOCIATION

BEFORE THE

HOUSE COMMITTEE ON ARMED SERVICES

TOTAL FORCE SUBCOMMITTEE

ON

MARCH 12, 2003

The Navy Reserve Association

"An association is not necessary to protect the Naval Reserve from the Naval Establishment, but is vitally needed to cooperate with the Navy in the solution of the many and complex problems that arise in the administration of a Navy composed of both regular and reserve career personnel." NRA Resolution, #1, 1954

With association roots that can be traced back to 1919, the Naval Reserve Association (NRA) is devoted solely to service to the Nation, Navy, the Naval Reserve and Naval Reserve officers. It is the premier national education and professional organization for Naval Reserve officers, and the Association Voice of the Naval Reserve!

Full membership is offered to officers who have held Naval Commissions; WO-1 through O-10, however NRA members come from all ranks and components.

NRA has over 22,000 members from all fifty states. Forty-five percent of the Naval Reserve Association membership is drilling and active reservists and the remaining fifty-five percent are made up of reserve retirees, and involved civilians. The National Headquarters is located at 1619 King Street Alexandria, VA. 703-548-5800. Our point of contact is Ike Puzon, Director of Legislation.

DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Naval Reserve Association does not currently receive, has not received during the current fiscal year, or either of two previous years, any federal money for grants. The Association has accepted federal money solely for Naval Reserve Recruiting advertisement in our monthly magazine. All other activities and services of the Association's are accomplished free of any direct federal funding.

Chairman McHugh, Rep. Snyder, and distinguished members of the subcommittee, on behalf of the 86,000 active Naval Reservists and the mirrored interests of all members of the Guard and Reserve Components, the Naval Reserve Association is grateful for the opportunity to submit testimony on patron and industry perspectives of military exchanges, commissaries, and morale, welfare and recreation programs.

COMMISSARY SERVICES

Issue: The availability of Commissaries has long been recognized as a necessary support element for troops in remote areas and as part of military compensation.

The cost savings realized by eligible commissary patrons because of commissary availability has historically been identified as a benefit used to minimize the amount of annual compensation realized by Active Duty, Guard, Reserve and retired military personnel. The option of commissary shopping is, and has been, a factor in recruiting, retention and morale, as commissaries are a top rated benefit.

Current cost reductions have focused upon military benefits to offset increased compensation. The Department of Defense is aggressively seeking ways to operate within the confines of a restrictive DoD budget by considering significant changes to the commissary system. The Administration is seeking alternative measures to reduce the annual government subsidy used to operate the commissary system. Suggested budget cuts are requiring staff cutbacks, and a reduction in the commissaries hours of operation.

The loss of the current government subsidy would force an increase in price of commissary goods, thus eliminating the 25 to 30 percent savings normally realized by military families.

Position: *The Naval Reserve Association supports the continuation of the Commissary System, and objects to the Administration, Congress or the Department of Defense:*

- *Eliminating or reducing the government subsidy.*
- *Closing profitable commissary stores.*
- *Increasing "surcharges" for any single group of commissary patrons.*
- *Denying commissary access to any currently eligible patronage group.*

COMMISSARY ACCESS FOR GUARD AND RESERVE

Issue: The current commissary access policy permits drilling Guardsman and Reservists, not on Active Duty, and those retired but not 60 years old, to use the commissary only twenty-four times a year. The Commissary restriction is expensive to administer, costing DoD \$13.5 million annually in costs for the distribution, administration and inspection of the Commissary Privilege Card (DD FORM 2529).

While the grocery retailers opposing the elimination of this restriction, they have been misinformed by false reports that the end of this restriction would increase patronage by a

million additional customers. The Defense Commissary Agency has calculated that the elimination of the limitation on visits by authorized reservists would not require any additional appropriations.

Position: The Naval Reserve Association supports the elimination of the costly process of limiting reserve component members and "gray area" retirees to twenty-four visits, and urges Congress to establish a regional demonstration of unlimited shopping privileges for both groups to measure the actual impact on costs, patronage and facility utilization.

OVERSEAS COMMISSARY EXCHANGE ACCESS

Issue: By law, reservists, reserve and military retirees of the United States Armed Forces are permitted to patronize the exchanges and commissaries of the U.S. Armed Forces. Military retirees in the United States have full exchange and commissary privileges; and reserve retirees and reservists have full exchange and a limited commissary access.

These federally mandated benefits of commissary and exchange access are lost or not adequately addressed in treaty negotiations with foreign governments, precluding access for some overseas exchanges and commissaries.

Position: The economic impact of current draw-down of military forces overseas be considered in any renegotiations of the Status of Forces Agreement to allow overseas access to exchanges and commissaries by retirees and reservists to match those within the United States, as these facilities are dependent on buyers.

The Naval Reserve Association, urges Congress to enact legislation requiring the departments of State and Defense to ensure full exchange and commissary benefits for military retirees, and equivalent access for reservists and reserve retirees of the U.S. Armed Forces in all future treaty negotiations, renegotiations, amendments, or adjustments of any nature.

CONCLUSION

Individuals who enlist in the Reserve or Guard recognize they cannot make large sums of money by being in the Reserve. Yet the nature of their service in the Reserve and Guard has changed. Over the last decade, reservists have been called up as never before, and today they are going to war. Broader duties should be rewarded with broader benefits. The Commissary benefit is one that can be expanded.

Thank you for the opportunity to submit testimony.



STATEMENT

BY

**MSGT (RET.) MORGAN D. BROWN
LEGISLATIVE ASSISTANT
AIR FORCE SERGEANTS ASSOCIATION**

FOR THE

**HOUSE COMMITTEE ON ARMED SERVICES
TOTAL FORCE SUBCOMMITTEE**

COMMISSARIES AND BASE EXCHANGES

MARCH 12, 2003

AIR FORCE SERGEANTS ASSOCIATION

5211 Auth Road, Suitland, Maryland 20746

(800) 638-0594 or (301) 899-3500

E-mail: staff@afsahq.org Home Page: www.afsahq.org

****A participating organization in The Military Coalition****

Mr. Chairman and distinguished committee members, on behalf of the 136,000 members of the Air Force Sergeants Association, thank you for this opportunity to discuss the vitally important issue of military commissaries and exchanges and the critical services they provide for those who serve this nation. Providing products at lower costs than their average civilian counterparts, military stores help compensate for the relatively lower pay that our servicemembers receive. *Military stores, in particular, are especially important to enlisted (noncommissioned) members, whose pay is significantly less than that of commissioned members.* Despite this, there is a widespread perception, fueled by comments of government officials, that the Department of Defense wants out of the business of providing military stores as a benefit. This perception (or reality) is further fueled by talk of closure of commissaries for the sake of efficiency and determining the need for particular stores based on a clientele "radius" (or "catchment area"). This focus on the bottom line rather than unique benefits earned by those who put their lives on the line for this country further emphasizes the need for your oversight. This association works to promote and protect the quality of the lives of all active and retired *enlisted* Air Force, Air National Guard and Air Force Reserve members and their families. Military commissaries and exchanges function inseparably from that quality of life.

One aspect of military life that those who have *not* served may have trouble relating to is that *military bases and posts are self-contained towns*. This is true particularly at overseas locations where the base or post serves as the congregation point for much more than mission; it is the heart of entertainment, recreation, and family and personal development.

The many programs with which this committee concerns itself are central features of building this sense of shared community. Airmen know, for example, when they enter an airbase – whether stateside or overseas – they are, in a sense, home. They see the welcome sight of the familiar base exchange. They know that, despite the volatile local (foreign) economy that may exist outside of the base, there is a commissary where they and/or their families can continue to purchase reasonably priced food to which they, as Americans, are accustomed. Military families we visit tell us how important it is to have these services available, especially with increased deployments due to Operations Enduring Freedom, Noble Eagle, and the impending war with Iraq.

One great mission of commissaries and exchanges, though not often stated, is their incredibly positive impact on the ability of our troops and families to respond to the contingencies and missions of military life. Some call this concept "family readiness." Commissaries and base exchanges provide an important benefit for the military member who serves, they provide sustenance to the families that support the military member at home, they provide peace of mind and an economical place to purchase goods for family members who must go it alone while the member is deployed. Indeed, these facilities are instruments of readiness.

Just why are these stores so important to the military member as a non-pay benefit? Please consider the following facts: (1) Military stores are a fundamental part of the *military lifestyle*, both for active duty and retired military members; (2) For *enlisted* members, who receive considerably lower compensation and benefits (and retired pay), these stores provide a *modest, though vital, supplemental financial benefit*; (3) Military stores are *part of the military retirement package* -- part of the promise; (4) Overseas, military stores often serve as a lifeline; (5) These stores have a *military mission* in that they *more-closely adapt to the needs of their clientele* (military members and their families) than commercial enterprises do. For the commercial industry, the bottom line is service only when/if it translates into increased profits; (6) In a very real sense, maintaining the exchange system allows the military to "take care of its own" due to its significant monetary contribution to MWR programs. The exchange system's contribution to MWR accounts for one out of every two dollars spent on MWR on Air Force and Army bases; and (7) Commissaries and exchanges are, very simply, part of the price of maintaining the enlisted portion of an all-volunteer military force.

BASE/POST EXCHANGES

Military exchanges are a long-standing tradition on our bases and posts -- both at standing military posts and bases and contingency locations. They originated in July 1895 with the War Department's General Order 46 which directed post commanders to establish exchanges at every post where practicable. Wherever American Army or Air Force members are stationed, the Army and Air Force Exchange Service (AAFES) sets up a store providing service and support to 7.3 million customers worldwide. Today, AAFES operates more than 12,000 facilities worldwide, supporting 25 separate businesses in 30 countries and overseas areas, as well as in every state in the union. These include 1,423 retail facilities and close to 200 military clothing stores on Army and Air Force installations around the world. AAFES also runs 1,410 food facilities; mobile units; snack bars; name brand fast-food franchises and concession operations. Other AAFES activities include theaters, personal service concessions, vending centers, and Class Six stores. In addition, the AAFES overseas school lunch program serves approximately 27,000 lunches daily to Department of Defense School children (at 152 schools in 11 countries). AAFES was designated by the DoD to administer the overseas school lunch program on Army and Air Force installations and has supported the program since the 1960s. A non-appropriated fund activity of the Department of Defense, AAFES funds 98 percent of its operating budget (civilian employee salaries, inventory investments, utilities and capital investments for equipment, vehicles and facilities) from the sale of merchandise, food and services to customers. The only congressionally appropriated money spent on AAFES comes in the form of utilities and transportation of merchandise to overseas exchanges and for military salaries. The exchange system brings

the American way of life to our military members who protect our interests around the world. Exchange facilities are an ingrained aspect of the military culture.

The AAFES contribution to MWR is significant. For example, in Fiscal Year 2001, AAFES earned \$373.1 million from retail, food, service, mail order and concession sales based on sales of \$7.09 billion. MWR and services received \$243 million; this provided \$277.94 per capita for each active duty soldier and airman. *In fact, while AAFES is charged with making a profit, it returns every cent of its earnings to its customers.* More than 70 percent of AAFES earnings are paid to Morale, Welfare and Recreation (MWR) Programs. In the past 10 years, \$2.42 billion has been contributed by AAFES to the Army and Air Force to spend on quality-of-life improvements for soldiers, airmen and their families--libraries, sports programs, swimming pools, youth activities, tickets and tour services, bowling centers, hobby shops, music programs, outdoor facilities and unit functions. *In that sense, military members who shop in exchanges do so knowing that they are helping to care for their own by helping fund activities that serve themselves.* This AAFES contribution is important and spares the taxpayer from footing that portion of the MWR bill.

AAFES is also a major source of employment for family members of Army and Air Force personnel. Approximately 25 percent of the 52,400 AAFES associates are military family members. Many associates have worked for years with AAFES as they've moved from one installation to another with their military sponsors. Another 3 percent of associates are military members who work part time in exchanges during their off duty hours. These employment opportunities are crucial to the well-being of enlisted families, especially at overseas locations where such opportunities are relatively scarce.

One dynamic of the current force structure is the closure of military facilities, and we are keenly aware of another impending Base Realignment and Closure round scheduled for 2005. When a facility closes, military retirees often lose access to the exchange benefit. However, if a particular facility is profitable, one plausible solution is to keep the facility open in combination in the form referred to as a "BX Mart," a combination exchange-commissary. While this approach is necessary in some areas, it should be avoided if both a full exchange and commissary would continue successfully. In reference to base exchanges, we ask that you continue to fully support the military exchange system, providing required funding to ensure the health of the facilities and the subsidy to maintain stateside-consistent pricing at overseas locations. Additionally, we recommend you support the BX Mart concept only when a stand-alone exchange and commissary are not feasible for a given location.

COMMISSARIES

Since 1826, base commissaries have served our military members. They, too, are a vital part of the military "town's" support network for those who serve. At first, individual military services maintained their own commissary systems. In 1989, Congress directed the Department of Defense to conduct a study of the separate systems. The ensuing Jones Commission Report recommended consolidating the service systems into one agency, in order to improve service and save money. As a result, the Defense Commissary Agency (DeCA) was established. Modern commissary patrons include active and reserve component military members, military retirees, and their immediate family members. Annual sales now total more than \$5 billion and, according to DeCA estimates, commissary patrons in the contiguous 48 states save an average of 30 percent on their grocery bills. Patrons pay cost plus a five percent surcharge. The surcharge saves the taxpayer money by going right back into the stores to pay for new construction, renovations, upgrades, maintenance, supplies and equipment. Surveys consistently place the commissary privilege as either the most or second-most valued portion of the military's non-pay compensation. *It is important to note that many young enlisted servicemembers, whose modest pay necessitates their use of food stamps, simply could not make ends meet without the cost savings provided by commissaries.*

● **Ensure the quality of service in military commissaries.** One item of grave concern is DeCA's recent elimination of nearly 2,500 full time employees combined with a self-imposed budget reduction totaling nearly \$135 million, yet claiming such actions would not jeopardize the level of service they provided to beneficiaries. Contrary to DoD survey results which reported favorable outcomes from recent DeCA business changes, several of our members report longer lines, shorter hours, and relatively unstocked shelves, indicating a degradation of service has, or is, occurring. AFSA is most concerned that once this benefit starts to erode (by DoD actions) such a decline in the benefit might continue. We ask that you provide full funding for the commissary system, ensuring that the Defense Commissary Agency continue its mission with strong oversight from this committee to ensure that working toward "efficiencies" does not lessen the benefit or beneficiary access to these important stores. Closely question the closure of any commissaries in the name of fiscal discipline and by implementing an arbitrary customer population "catchment area." Lastly, we urge this committee to require some type of *independent* (outside of DoD) assessment of the consistency and maintenance of the quality of the commissary benefit.

● **Military Beneficiaries Only!** AFSA is aware of a proposal currently being considered by DoD to allow civilian, non-military commissary employees to shop at military commissaries. If implemented, this plan would give roughly 40 percent of the DeCA workforce which are non-military affiliated civilians the same benefit as those who have chosen to serve this nation in the Armed Forces. We remind you that the commissary system

exists to support current and past military members and their families. AFSA believes that inclusion of civilian commissary employees is wrong and that *we should take care of military beneficiaries only*. DeCA needs to provide unfettered access to those who have served our nation and are presently serving in our Armed Forces, including Guard and Reserve members. Further, we feel very strongly that offering this benefit to civilians would degrade the value of the benefit to our military members and possibly spark opposition from various food marketing organizations. Many members will view this as further tampering with a military benefit.

● ***Eliminate the Commissary Privilege Card System.*** Mr. Chairman, *it is time to eliminate the very costly Commissary Privilege Card System* which is used to limit reserve visits to commissaries. We have seen cost estimates ranging upwards of 13 million dollars to administer this program each year. This would require that we *provide reservists year-round access to the commissary benefit* - an unrealized benefit our reserve members have earned for many years. The cost to administer this program is a clear waste of expense and resources. Surely, there can be no doubt that these American servicemembers have earned year-round access to these facilities. It could also be argued that year-round access for these members and their families will increase the fiscal health of these important stores. Most importantly, it is the right thing to do. These are critical members of our nation's team, and it is time that we treat them as such. As you compile your plans for the FY 2004 Defense Authorization Act, we urge this committee to give our citizen soldiers full, year-round commissary benefits. What better way to recognize the nearly 200,000 citizen warriors serving on active duty in support of Operations Enduring Freedom, Noble Eagle, and the mobilization of forces for probable engagement in Iraq?

● ***Avoid privatization efforts.*** This concept is not new and there have been frequent attempts to implement this effort over the years. AFSA appreciates Congress' opposition to these plans in the past and asks the members of this committee to sustain this position. Be especially wary of intentional under-funding or moves toward "privatization" that focus on the "bottom line" rather than on providing a robust earned benefit. The value of this benefit cannot be quantified solely in monetary terms, and civilian grocers simply cannot provide the existing benefit, particularly at overseas locations. Again, we remind you that military members rank this benefit among the top two non-pay benefits they receive. If privatized, this benefit is not likely to retain similar impact on recruiting and retention that the present commissary system does.

● ***Work to provide full base commissary benefits to retirees at overseas locations*** Overseas commissary and base exchange access arrangements are generally the product of Status of Forces Agreements (SOFA). At several overseas locations, retirees (who may be overseas for government jobs, etc.) are denied access to bases exchanges, or commissaries.

or both, on U.S. military reservations. For example, retirees in Turkey may not use the commissaries on U.S. military installations. As you can expect, there are many similar examples. While adjustments will require changes when each SOFA comes up for review, we urge this committee to communicate with the Department of State a desire that such reviews promote the inclusion of full use of these facilities for military retirees.

Mr. Chairman, thank you for this opportunity to present the views of Air Force enlisted members and their families. This committee has a vitally important mission. You serve as the guardians of the human/family interests of those who give so much to this nation. You serve their interests by protecting the military stores and various other activities that are so critical to them. As you go through your deliberations, markups, and resultant formulation of the FY 2004 Defense Authorization, we ask that this committee be a key player in ensuring the health of our troops and full funding of the facilities that play such an important part in our military communities. AFSA is proud to work with you and, as always, is ready to support you on matters of mutual concern.



FISCAL YEAR 2004 NATIONAL DEFENSE AUTHORIZATION ACT—DEPARTMENT OF DEFENSE TOTAL FORCE TRANSFORMATION INITIATIVES AND OVERVIEW OF THE FISCAL YEAR 2004 MILITARY PERSONNEL BUDGET REQUEST

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
TOTAL FORCE SUBCOMMITTEE,
Washington, DC, Thursday, March 13, 2003.

The subcommittee met, pursuant to call, at 3:19 p.m. in room 2216, Rayburn House Office Building, Hon. John M. McHugh (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE

Mr. MCHUGH. The subcommittee of the hearing will come to order.

Let me begin by welcoming you all. And by the standards of our subcommittee hearing last night, which commenced about 6 o'clock in the evening, we are ahead of Washington's schedule, but we are a little bit behind the assigned schedule. We had some votes, and appreciate your patience and forbearance.

Today's hearing takes place in the context of an extraordinarily complex, challenging environment for the military personnel of both the active and reserve component interwoven elements of the Total Force. The complexity and challenge in part is due to three interwoven developments:

First, the employment of the Total Force has fundamentally changed since the policy was first put into place and crafted in the 1970s in the wake of the Vietnam War. Then the policies stipulated the close integration of active and reserve components to ensure the American military would never again go to war without the reserve components. Today, there is a new reality. Because the strikes of the active components in the last several years have been reduced to their lowest levels since 1940, the U.S. military peacetime operations in support of the National Security Strategy cannot be accomplished without significant reserve component involvement.

As a result, the reserve components have, for the last seven years, provided annual, again, peacetime support equivalent to 33,000 units active duty personnel and replaced active components in carrying out missions that previously had been the exclusive domain of the active forces.

Second, the global war on terrorism and open-ended commitment to U.S. Military resources worldwide to eliminate terrorist threats and to actively defend the U.S. homeland has, number one, added new dimensions, missions, and manpower requirements for both the active and the reserve components.

Revealed imbalances and shortfalls in the mix of active and reserve component manpower enforced structures.

And, third, made clear that increased heavy reliance on the reserve components in peacetime will continue indefinitely. For example, in January, 15 months after the start of the global war on terrorism and just prior to mobilizations to support possible war with Iraq, more than 56,000 Reservists remain on active duty worldwide, committed to fighting global war on terrorism with thousands entering a second year of active duty.

The deployment of more than 220,000 military personnel to the Persian Gulf with the accompanying mobilization of more than 188,000 reserve component personnel for a potential second war with Iraq differs materially than the mobilization of Desert Shield/Desert Storm in 1990, 1991. Current mobilization comes in the context of a Total Force that is significantly committed to requiring sustaining ongoing peacetime support requirements while simultaneously prosecuting the war on terrorism.

In short, the Total Force is being employed in ways never anticipated by those who articulated and implemented the policy some 30 years ago.

As a result of the current substantial unremitting open-ended three-way pull on the Total Force, there are extraordinary management and resource challenges for the Department of Defense (DOD) and the military services, as well as significant stresses on the individual members of the active and reserve components and their families, and, of course, on the employers of Reservists.

In recognition of the new challenges of the Total Force, the Department of Defense is proposing several active and reserve component transformational initiatives in its fiscal year 2004 budget requests. These initiatives, I understand, are, quote, first steps, end quote, so to speak, in a long-term multi-year reform of active and reserve component personnel management.

One objective of this hearing is to provide the Department an opportunity to explain them and their rationale behind them. The second objective of this hearing is to better understand how the Department intends to address active and reserve component manpower that has long been inadequate for the missions the Nation has assigned them. To that end, I am particularly interested in the aggressiveness of the military service's fiscal year 2004 budgets and future year's plans and funding in implementing the conversions of military personnel to fill higher priority requirements.

These conversions and their ability to produce sufficient military manpower to meet active and reserve manning shortfalls are at the heart of the Secretary of Defense's net zero policy in opposition to this point to active end strength growth.

I also want to understand, and I am sure we all would, more about the high deployment data the Department has been collecting and what it says not only about the stresses being endured by

various segments of the active and reserve components, but also for the need for changes in the active and reserve component mix.

Finally, I am sure we would all like to hear how DOD and the military services will improve the ability of active and reserve component personnel, as well as their families' employers in the case of the Reserve Components, to sustain the pace of operations until planned conversions of military personnel can address known shortfalls.

I thank you all for being here, particularly to of course our panelists, who I will introduce in a moment. But now, with the preface of the fact that the officially designated ranking member, Dr. Vic Snyder, is recuperating from a medical procedure, and we are told is doing well, and I know all of us wish his continued recovery from that and look forward to his return.

But in the meantime, we are pleased to have the gentlelady from California, Ms. Sanchez, who is a veteran of both the Personnel Subcommittee, as we were formally known, and now the Total Force subcommittee.

So Loretta, thank you for being here, and the floor is yours.

STATEMENT OF HON. LORETTA SANCHEZ, A REPRESENTATIVE FROM CALIFORNIA

Ms. SANCHEZ. Thank you, Mr. Chairman.

I did speak to Dr. Snyder last night, and he anticipates he will hopefully be back next week, so he will get to resume his duties, I hope.

But it is a pleasure to be here, and thank you gentlemen for all being here today to testify. In the interest of time, because I actually am going to try to get to the floor to do some speaking tonight. I will submit my comments for the record, and hopefully we can move right into hearing from these gentlemen.

Mr. MCHUGH. Thank you very much. Very eloquently said.

[The prepared statement of Ms. Sanchez can be found in the Appendix on page 137.]

Mr. MCHUGH. Let me, before I introduce our witnesses, apologize in the near term. As some of you, if not all of you, may have heard, we had a tragic incident in my district at Fort Drumm, New York, where a Blackhawk in a training mission went down with the loss of 11 lives. There is a memorial service scheduled, and I will need, I suspect, to leave a little bit early. So I beg your forbearance on that. But I am hopeful that we can cover a lot of the main material while I am here. And we do expect we will have the vice chairman, Mr. Cole from Oklahoma, here to carry forward at that time.

So, let me get right to the panel.

First, let me introduce the Honorable David S.C. Chu, Under Secretary of the Defense for Personnel and Readiness; lieutenant General John Le Moyne, Deputy Chief of Staff G-1 in the United States Army; Vice Admiral Hoewing, Chief of Navy Personnel, United States Navy; Lieutenant General Richard E. Brown, III, Deputy Chief of Staff, Personnel, of the United States Air Force; and Lieutenant General Gary Parks, Deputy Commandant for Manpower and Reserve Affairs, United States Marine Corps.

Mr. MCHUGH. Admiral Hoewing, let me say to you particularly, I want to extend our special welcome. This is your first appearance—

Mr. HOEWING. Yes, sir.

Mr. MCHUGH [continuing]. Before the subcommittee. We hope it is not too painful, and that you will come back again.

But to all of our panelists, as I said, you are welcome, and we look forward to your testimony.

Let me just advise you that we have received all of your testimony in its entirety. I have read much of it. Some of it arrived a little late, so we haven't reviewed it in its entirety. But will be entered into the record. And given the constraints of time and the time of afternoon, I would ask you, to the extent it is possible, if you could summarize your comments so we can get back as quickly as we can to the dialogue.

So, with that, let me yield. Oh. Thank you, John. I would also note we have received a statement for this hearing from the Military Coalition, and without objection, we would ask that be entered into the record in its entirety. Hearing none, so ordered.

[The Military Coalition statement can be found in the Appendix on page 298.]

Mr. MCHUGH. With that, we would be happy to now yield our attention to the floor to Secretary Chu. David, welcome.

STATEMENT OF HON. DAVID S.C. CHU, UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS

Dr. CHU. Thank you, Mr. Chairman, and members of the subcommittee. It is a privilege to appear before you.

This committee and its antecedents, I would argue, have already taken the United States military through one of the great transformations of the late 20th century, and that was the inauguration of the volunteer force and its ultimate success. It had a rocky beginning, but thanks to the support from you and your colleagues, it has now earned the envy of the world, and many nations seek to emulate the American experience in that regard. You have built on that record, I would argue, with your willingness, in the last several years to rethink how we target the pay for our personnel, our military personnel, and I think with great success in terms of the improved retention results that we have as a result achieved.

Indeed, I know you will be interested to learn that the government as a whole is trying to emulate what you have done by proposing a central fund, \$500 million, that would be prorated across the Federal agencies warranted to civil personnel based upon performance in a targeted manner.

We are here, of course, to advance our case for many of the kinds of programs that you have dealt with year in and year out, including the issue of another targeted pay raise. But I would like to take my time this afternoon to focus, as you suggest, Mr. Chairman, on the transformational goals that we have set for ourselves, and which we would like to seek your partnership since many will require legislative challenges.

Let me summarize very briefly.

On the active military side, we seek the ability to encourage longer careers, particularly for our most senior officers, those serv-

ing in the flag and general officer ranks. And we believe that that would be enhanced by raising the maximum age limit, now applicable to those officers, and by steps that would celebrate their service by allowing accumulation of annuity credit to continue beyond 30 years, and it would be based on their uncapped base pay.

At the same time, we would like authority for those officers who retire before they reach the current minimum, which is three years, waivable down this year to two years in grade, to be able to do so as long as the Secretary of Defense certifies the service has been honorable and satisfactory. We think that will substantially enhance our ability to manage this force as we seek to keep the most senior officers for a longer period of time.

We would like authority to streamline the management of joint specialty officers. We think this is a very important concept. But the current rules, which require that education assignment occur in a specific sequence, make it difficult sometimes to actually use these officers in the way the Nation might best benefit.

And we do believe that it would be helpful to have a few other steps that would likewise streamline management of these officers.

For the reserves, I think the continuum, as your comments suggest, Mr. Chairman, has demonstrated to the Nation that it, like the active force, is indeed a true volunteer force. It is really one force now that the Nation has. Not all of our procedures, internal of the Department of the Defense and the statutes that undergird those procedures, however, are quite in that spirit. Many of them set up a dichotomy between the active and reserve forces that is neither healthy nor useful.

We seek to promote a continuum of service, and the notion that it should be relatively seamless to move from active to reserve status, or reserve to active status, and back again, without a great deal of the problems that now occur. And in that regard, we will take every step the present law permits. We are just this week deciding that as part of the effort to make the benefits standard, as long as you are serving 30 days or more on active service, to offer TRICARE Prime to the families of those reservists who are currently being mobilized. That is a change from our past practice.

We also think of a continuum in terms of how you are able to serve across a career. We would like enough flexibility so that those individuals who would like to step out of active service for a few years because of personal responsibilities might be able to do so and rejoin without penalty another cohort several years down the pike.

On the civilian side, the Secretary of Defense will be seeking legislative authority to create a national security personnel system. There are I think a variety of reasons for this, but the most important is our need for agility as we confront the challenges of the early 21st century. Agility so we can, as you suggest, Mr. Chairman, convert military to civil service billets, agility so we can replace the current generation of fellow workers, many of whom are slated for retirement within the next decade.

Agility to adjust the responsibility of individual jobs. We want to stay away from what sometimes occurs in a rigid institutional system where people's response when we ask them to do something

extra is, that is not in my job description. That is not the kind of system that will protect the Nation's security interests.

What we seek is hiring flexibility, greater hiring flexibility than the civil service system permits today. We will respect in the proposed legislation veterans preference and merit principles. We think categorical ranking plus some other powers will get us from where we are to where we need to be.

Just as one example. If I send someone, as we do, to a college job fair today and our person is sitting next to the human resource agent for Microsoft, the Microsoft person will say: The job is yours, subject to a few background checks; you just sign on the dotted line. We have to say: Here are our forms, take our tests, and you will hear from us in 90 days or more. Our average at the Department of Defense in terms of hiring civilians is 90 days. That is not acceptable in the present situation.

We would like to emulate what China Lake has done in its much heralded demonstration over the last couple of decades, and that is adopt the pay vending as we compensate the civil servants of the Department of Defense. This enhances our ability to adjust people's duties, because then you can change their compensation as new duties might direct, which is not possible now, without recomputing that position. And we would like the right for key human resource issues to approach these as far as our relationship with the union community is concerned on a national level as opposed to at the local level. Just, as example, the difficulty of dealing at the local level. Two years ago, as you know, a great deal of attention was devoted to abuses of travel cards. We still are negotiating with our local unions on how we are going to collect from people's salaries if they abuse their travel cards. We do not have that negotiation complete.

We think there is a lot of evidence for the practices that we will advance in this proposed legislation. Evidence from the last 20 years of demonstrations as to what works. You and the Congress have given us that authority. It has touched the lives of 30,000 Defense Department civilians, and I think the evidence is in the results that it has produced.

Our objective here, sir, is the objective we all share, and that is to sustain the American military as the finest military the world has ever seen. And that is centrally because of the excellence of the people, active, reserve, and civilian in its ranks. Thank you.

Mr. MCHUGH. Thank you, Mr. Secretary.

[The prepared statement of Dr. Chu can be found in the Appendix on page 139.]

Mr. MCHUGH. General Le Moyne, welcome.

STATEMENT OF LT. GEN. JOHN M. LE MOYNE, DEPUTY CHIEF OF STAFF, G-1, UNITED STATES ARMY

General LE MOYNE. Mr. Chairman, Congresswoman Sanchez, and distinguished members of the committee. Thank you for the opportunity to give you an update on America's Army today. Let me start, sir, by expressing our thanks for your assistance in the major successes we have had in the human resources environment of your Army this past year. Today, more than 220,000 soldiers are deployed or forward stationed in 120 countries. Soldiers from both

the active and reserve components remain on point for your Nation. And, sir, they are committed, they are disciplined, and they are focused on their missions.

Today's threat to security and commitments throughout the world highlight the critical importance of men in our forces, and this mainly begins with recruiting. We have been very successful in the past three years in both the numbers and quality of our new soldiers. And our retention goals in all categories also reflect the same success. This year, for the fourth year in a row, we are on track to fill our succession missions and retention goals again. At the same time, our attrition rates continue to show improvements. And at this time, sir, the officer attrition is the lowest in over 15 years.

Sir, the Army appreciates Congress' continued support for our Army, and survey after survey reflects the positive aspects of Congressional initiatives to increase our pay, the benefits, and to improve the quality of lives for our soldiers and their families. These increases not only improve the quality of life and retention, but they greatly enhance our recruiting effort, particularly when we compete against the private sector.

Sir, our current active reserve force mix continues to provide the capabilities consistent with our defense strategy as of today. This force mix also reflects the numerous adjustments as a result of 11 September and the increasing demands that you pointed out, due to the global war on terrorism. We are continuing to adjust to meet these demands, and our missions have increased on a daily basis. We are proud of our progress. We are grateful to the strong congressional support you have shown us to offer these opportunities to America's youth. The resources you provided to the Army for these missions are some of the most important reasons for our continued success.

In the past, when manpower programs were successful, resources have been cut to the point of hurting the manning efforts. Sir, we are asking you that, together, we need to avoid this pitfall, and carefully manage our resources to ensure the long-term continued success that we have worked hard to gain these past five years. We ask for continued assistance as we demonstrate our commitment to restoring the manpower needs for your Army, the active, the Guard, the Reserve, the Department of the Army (DA) civilians, and our retirees.

Sir, thank you for the opportunity to appear before you today. I look forward to your questions.

Mr. MCHUGH. Thank you, General.

[The prepared statement of General Le Moyne can be found in the Appendix on page 187.]

Mr. MCHUGH. Admiral Hoewing. Welcome, sir.

STATEMENT OF VICE ADM. GERALD HOEWING, CHIEF OF NAVY PERSONNEL, UNITED STATES NAVY

Admiral HOEWING. Thank you, Mr. Chairman, Ms. Sanchez, and distinguished members of the subcommittee. It is truly an honor to be here to appear before you and represent those men and women in the Navy out there serving our Nation today. We are very proud of what they are doing.

Our Chief of Naval Operations (CNO) number one priority is manpower; and as a direct result of this commitment, the Navy commands the war on terror with incredible levels of readiness. As I speak to you today, more than two thirds of our active ships are underway. Over 76,000 active-duty sailors are currently forward deployed, 164 ships and submarines, and we have seven carrier battle groups out there underway right now, as well as three quarters of our amphibious force. Every single one of those units is fully manned for combat in direct support of the operations in Southwest Asia.

I would like to express on their behalf our gratitude for the sustained and unwavering support of the United States Congress, especially during this unprecedented time in history. Your commitment to enhancing military compensation, improving housing, reducing out-of-pocket expenses, ensuring quality medical care for life, and implementing retirement reforms continue to contribute significantly to our unprecedented retention rates. And many of our young sailors will be our leadership in the future.

The Navy's budget this year will continue the momentum established over the last two years under Admiral Clark's leadership, and we will continue to be positioned to respond in the future.

Our CNO challenge goes, in the manpower and personnel business, to improve retention, reduce attrition, and create a positive environment with opportunities for growth and development for every one of our sailors including their families. As a result of those challenges, we have improved our retention to the highest we have seen in the history of our institution. Our attrition is the lowest that it has been in a decade. Our recruiting, our joint recruiting, both reserve and active duty, now merged together, have met their mission for four consecutive years and, in fact, have met the higher new contract objective for 19 consecutive months while simultaneously improving quality.

These are fairly impressive accomplishments, but we can and will do better in the future. Our highest priority for fiscal year 2004 is to shape the force, to make sure that we have the skills mix correct to meet the mission requirements of the future.

We have established a new program called Perform to Serve. You gave us authorization for assignment incentive pay in order to fill those hard-to-fill jobs to meet our missions. We will be asking for an Senior Review Board (SRB) ceiling increase for very narrow skill sets where the technical requirements require us to maintain and sustain at a higher rate. And we will continue to shape the force by increasing our top six to make our force not only more experienced, but more technically capable.

Simultaneously, we will transform the way we manage the careers of our sailors. We call it Sea Warrior. This is the implementing opportunity to put the people into our CNO's transformational concept called Sea Power 21.

At the same time, we want to make sure that our sailors and their families have meaningful and positive Navy experiences while they are associated with the Navy. We call it quality of service. Quality of service is the quality of life programs, plus the quality of work environment where our sailors live. Pay raises, both targeted and across the board, bonus programs, incentives, Basic Al-

lowance for Housing (BAH) buy-down to reduce the out-of-pocket expenses, spouse employment opportunities, MWR, all of those will help establish that positive Navy experience.

And finally, sir, we will place greater emphasis on the broader H.R. Approach to the way we do our manpower and the personnel business, including recruitment, growth, development, and retention of our civilian workforce.

We operate under a strategic principle called: Mission first, sailors always. Everything, from a manpower and personnel perspective, that we do is focused on improving our mission accomplishment, and, in doing so, improve the lot for our sailors and their families at the same time.

I look forward to the challenges that lie ahead in working with the Navy defense leadership under the direction of our Commander in Chief, and with the guidance and support for Congress. The challenges are many, but the potential for success abounds.

Mr. Chairman, this completes my statement, and I have included the direct responses to your questions in my written statement. Thank you, sir.

Mr. MCHUGH. Thank you very much, Admiral.

[The prepared statement of Admiral Hoewing can be found in the Appendix on page 206.]

Mr. MCHUGH. Next, General Brown.

STATEMENT OF LT. GEN. RICHARD E. BROWN, III, DEPUTY CHIEF OF STAFF, PERSONNEL, OF THE UNITED STATES AIR FORCE

General BROWN. Mr. Chairman, Congresswoman Sanchez, distinguished members of the committee. It is an honor to come before you and address our current challenges and key initiatives on behalf of the dedicated men and women in the United States Air Force.

First and foremost, you need to know our airmen are ready, willing, and able to meet any contingency. Patriotism is high, morale is up, in spite of a very increased tempo.

We exceeded our enlisted recruiting goals and line officer session targets this past year in FY 2002, and we expect to do so again here in FY 2003. We found that the high ops tempo in response to the global war on terrorism has not impacted retention as one might think. Our retention, in fact, is actually healthier than the past two or three years.

Now, much of the credit for this goes to this committee, your staunch support for improved military pay and compensation, and continued support of bonus authorities. So I want to thank you on behalf of every airman.

Today, we continue to face one of our greatest challenges: How do we adapt to what we see is the new steady state of accelerated operations in personnel tempo? We cannot conduct business as usual, and we must transform our forces to be successful.

One of our top priorities is shaping our force mix with the skills required to make optimal use of our finite personnel resources, which is our greatest asset. This is a complicated and difficult task. We are actively pursuing many options to relieve our stress career fields. For example, we recently partnered with the Army to deploy

Army National Guardsmen and Reserve forces to augment our force protection operation. And we thank the Army for their support, an excellent example of joint effort.

And we continue to develop programs and initiatives that are helping us now and in the future as we change our force to the demands of the global war on terrorism. We greatly appreciate the Congress and especially this committee's tremendous support and recognition of our troops by providing them a top notch quality of life.

I look forward to discussing our challenges and our progress with you. Thank you.

Mr. McHUGH. Thank you, General.

[The prepared statement of General Brown can be found in the Appendix on page 247.]

Mr. McHUGH. General Parks.

STATEMENT OF LT. GEN. GARRY L. PARKS, DEPUTY COMMANDANT FOR MANPOWER AND RESERVE AFFAIRS, UNITED STATES MARINE CORPS

General PARKS. Thank you, Mr. Chairman, Congresswoman Sanchez, distinguished members of the subcommittee.

It is my pleasure to report to you on the personnel status and future manpower picture of your Marine Corps. And I thank you for the support that you provide to our Marines and to their families.

Today's Corps is comprised of young men and women of character, with a strong work ethic who joined to be challenged. As you mentioned, Mr. Chairman, in the opening comments, these are busy and demanding times for America's Armed Forces. Today, like my colleagues, our services are stretched and fully committed. Sixty three percent of our operating forces are forward deployed. We have mobilized 18,000 plus Reserve Marines in support of the global war on terrorism. Our selected Marine Corps Reserve and individual ready reserve Marines are integral to our Total Force requirements. We currently have 1,832 active and nearly 3,000 Reserve Marines on stop loss. However, only 259 of those Marines have been mobilized.

In response to your earlier question, although it is contained in my written testimony, 402 Marines exceed the 400-day threshold of Personnel Tempo (PERSTEMPO).

The indicators of the health of our organization are very strong. Our superb recruiters have met their mission in both quality and quantity for 7-1/2 years. Our career retention is a new program; in fact, it is going to finish up its mission for the second year, and our first-term alignment plan of retention will make its tenth year of consecutive success.

Similarly, our officer program is at an 18-year high of retention success. Congressional approval last year of 2,400 additional Marines could not have come at a better time, and with the accession and retention success I have previously addressed, has positioned us well for the challenging times we are currently enduring.

Marines join and remain in large part, because of the institutional values and core values of our Corps, but the environment must be supportive. Congressional support that you have provided

in the past, and I am confident will continue to in the future, have ensured reasonable pay and compensation improvements. This provides the environment that will assure our continued success.

The fiscal year 2004 budget continues to appropriately raise basic pay and reduce out-of-pocket expenses for housing and provides valuable funding for foundational areas of recruiting and retention.

During these current deployments, we concurrently remain focused on the Marines and the families left behind. Addressing their needs and requirements is paramount to those that are forward deployed.

Mr. Chairman, thank you for your support through ensuring appropriate pay, benefits, and quality of life enhancements for your Marines and their families. And I look forward to answering your questions.

[The prepared statement of General Parks can be found in the Appendix on page 269.]

Mr. McHUGH. Thank you, General. Thank you, all, gentlemen. I appreciate the very comprehensive nature of your written responses and the very brief and concise nature of your oral responses.

We have got a lot of challenges here. Let me just start by saying—and I think I can speak for the entire subcommittee, the entire committee, and I hope for all the people of this great country. The forces over which you are charged, both in the Department and the branches of the military, are amazing men and women and are doing amazing things. And I know you are, but you have every right to be very proud of them. We certainly are. And certainly from the Congressional perspective, we want to do everything we can to be a proactive and productive piece of the joint effort to continue to do an even better job by them as we call upon them to do some extraordinarily difficult things on behalf of our homeland, on behalf of our freedoms, and the principles upon which this Nation was built.

Recently, a number of us—in fact, Mr. Hayes is here, Mr. Chapla. I see a couple folks in the audience who also staff the Congressional delegation trip to various bases in Europe specifically, to meet with guard and reservists who are there forward deployed, most of them in volunteer status, to talk to them after we asked, as gently as we could the officers to leave the room, about the challenges that they see the system is placing before them. We heard a lot of different things, but certainly one of the things we heard about was the short-term notifications with respect to their activations and call-ups. We heard a week. On more than a few occasions we heard of two-day call-up notices.

Now, I know, Mr. Secretary, this is an issue that you are attempting to address, and it is a very important one obviously. An activation is always a difficult challenge, a lot of things to take care of, employers and spouses and families and such. But I wonder if you could update the subcommittee as to where you are in that process of trying to provide the greatest possible amount of call-up time so these folks have some opportunity to get their lives in order.

Dr. CHU. Thank you, Mr. Chairman.

Our policy, as you know, our guideline is we would seek to give people 30 days notice. That is not always realized. We do work very closely with the commanders and units when we anticipate that an alert could occur. And I think you will find in many cases that the commanders will acknowledge that they did know that it was likely they could be alerted somewhat earlier than the formal alert notice might have provided. I do think this is one of those items that is a careful balance between mission needs, particularly as we try to confront an unusual set of threats here and are using units, active and reserve, in very different ways from those in which they were originally designed to serve, that those mission needs may, in some cases, imply very short notice times.

We recognize that, and we try to work with the issue. I know my colleagues may be able to respond in greater detail how they try to minimize that burden. We recognize this burden. We are doing everything in our power to be sure that people have a reasonable time before they are actually called up.

Mr. MCHUGH. Would the gentleman like to add a little bit from the Army perspective?

General LE MOYNE. Well, sir, if I may add, as the Secretary says there, our goal is 30 days. We would like to have 45 or more. When we sense that we are getting inside that time frame, we start to give alert notification to the units that are on the mobilization list to try to mitigate some of the pain that you mentioned here today. And I think in most cases, that was successful, but there are some cases, sir, where I know that, in fact, the soldiers didn't get the word. And we are very conscious of that, sir. That has an impact down the road that we are very concerned about.

Mr. MCHUGH. It does, because—and we have talked a lot about recruiting, retention. And my opportunity to serve as subcommittee chairman in previous years, and I am thrilled that all of you are doing not just adequately, but very well there. But at some point that kind of cycle is going to have a toll, it would seem to me. Certainly many of the individuals we spoke with felt that it would have a toll on them and their decisions as to their continued service and such.

I would say as well that obviously it is just not the right thing to do. When you are in a national emergency situation, sometimes those things can't be avoided. But I would certainly be happy to hear from any of the other chiefs, if they care to comment on that. So, gentlemen.

General BROWN. Sir, I would make a comment that within the Air Force, we have attempted in the last—it has probably been about a two or three year look now—to organize ourselves in more of an Air Expeditionary Force (AEF) kind of structure. Where we realize we are doing more and more of deployment contingency kind of activity, and we are trying to organize ourselves, both the active and our Air Guard and Air Reserve Components who have been a very active part of our force for many years, now into this AEF concept, where there is predictability for our people. And one of the goals of that is that when one deploys and they return, then they will know with quite a bit of time ahead when it is their turn to go deploy again.

That is a great concept in steady state operations. I am sure there are some cases where we have had airmen who have got fairly short notice in the recent times where we have been building up. We have had new contingency, new mission, and the situation today is not a real steady state.

So our goal absolutely is to give notice and let folks plan ahead, plan their family time and the conditions that they leave at home. But there are certainly conditions today where there are some folks who got fairly short notice, and we just bless the fact that they have been ready to go and do the mission for us.

Mr. McHUGH. We had a good week, but maybe we had a bad week in terms of having clusterings of those who apparently had bad experiences in that regard. And gentlemen, let me be very clear. I understand that no one in either the Department of the Military Services wants to give anyone a day or two or a week or ten days or anything less than 30-day minimum notice. The point, I suppose of the question, maybe I could have put it much more succinctly, is that problems continue to exist. I expect you know that. We need to do everything we can, given the extraordinary demands that all of you are facing, to minimize those.

And I was going to ask one more question in one regard, but the General's last comment talked about predictability. So let me ask another, and then I want to yield to my colleagues who made time out of their busy schedules to be here.

Mr. Secretary, you talk in your oral testimony and also in your written comments about the proposed authority to involuntarily mobilize Reservists and call-up rights and how that time does not—for training doesn't count against their active duty limits. How would that additional potential time of service—potentially pretty significant—add to that sense of predictability? Because—and again, they are mostly volunteers, but I came away with a real sense that these folks wanted to be there and they wanted to continue to serve. One of the biggest challenges they had was not knowing when.

A number of them had been called up for well over a year, or they would get back and be called upon again immediately. And then that goes back to, as the General said, predictability. Certainly one of the concerns this proposal at least on the surface, would cause one to contemplate would be added, not less, predictability. Is there something you would like to say to respond to that concern?

Dr. CHU. Yes, sir, I would be delighted to. It is intended, in fact, to smooth a way for reservists to make it easier for them to be called up in a timely manner. As you know, as things now stand, we have limited authority to bring them to active duty for training purpose if we are not actually going to mobilize them. And I think one of the issues that you find that detracts from reserve mobilization excellence is if you call people prematurely, and then there is a period of dead time when they don't, in fact, have an opportunity to apply their skills correctly. The military has often driven to that, made sure the unit is ready, has its training in place, and has the personal, medical, dental and other elements of readiness in place so that the individual is indeed ready to deploy. And what these powers are that we seek from you are intended to allow is to be

sure that we can, in fact, bring the unit to the right readiness level in advance of a full-scale mobilization decision. It is to get them ready, get them up on the step.

The issue of predictability is ultimately, I would argue, a management issue. However, we convey accurately to these individuals what the expectations will be, what will happen, how it will happen, and what the sequence will be. I think, in many ways, the United States Air Force should be congratulated because it has been achieved this de facto with some authorities that it already has. But it is not something that is very easy for the Department to do across the board.

As an example, there are limits in terms of how we can pay, under current statutes, for dental care for our reservists who haven't been mobilized yet, ready to go. We would like to get some of those limits relaxed.

Mr. MCHUGH. And a lot of that makes very apparent and, I think, very good sense. It does raise the question, and I would not debate the normal standard right now that training days 38 is excessive. And certainly, you make a good case that in today's environment, it is not sufficient. But today's reserve have been predicated upon that premise, which obviously has at least some part in a person's willingness to join. The proposal would potentially extend that to 270 days with more, 200, two years beyond. What kind of consideration calculations were done to bring into play and weigh the analysis with respect to what does that do to people's willingness to join? I don't know the answer to that. I suspect it may find you wanting amongst some potential recruits. But as you suggest, maybe to others it would be more enticing to them. I don't know.

Dr. CHU. Part of what we are after, sir, with the flexibility we seek, is to move away from the cookie cutter view that it is 39 days a year for everybody, and it is 39 days a year every year. In some years—this now becomes very much an individual unit, individual member issue, but it sometimes in someone's career, depending upon the skill involved, we might not need to have a lot of training time or service in that particular year. And there is no particular reason to force it to 39 days just because that is the paradigm we employ.

I have in mind, for example, our effort, which is already beginning with the field inspector management to think about using individual ready reserve status for people in skill areas where the civil sector really is the source of the Nation's top information technology, medical talent, as well as linguists. So individuals like this, we do not necessarily need to see them every year for long periods of time, but there will be periods of time when we do need a great deal of service from them. And so tailoring this, much more to an expectation that is serviced, might vary over time within some boundaries that are acceptably mutual that does not have them serve when we don't actually need their services, is the objective that we seek.

I think commanders will also find this helpful. I have spoken with some of the ensigns general about the issue of how much—how would you use 39 days a year if you could use it differently? Some of them tell me that they would much rather have a little

bit longer time in the summer; they would give up some time during the year, because in the summer training period, they get the unit together, get the unit back up on the step. It takes ten days, sir, to do that. And if it is a two week limit in summer training, you then disband the unit. They would rather have a little longer period in the summer and give up some of the during-the-year training days to achieve that.

And it is that flexibility to tailor the time the Reservists are to what the mission requires and to what is comfortable for the individual to devote that we are seeking in these legislative changes.

Mr. McHUGH. Thank you. And I appreciate my colleagues and their patience.

Ms. Sanchez.

Ms. SANCHEZ. Good question.

Thank you gentlemen once again for coming before us. I have a question for Dr. Chu, and then I have a question to direct to all of the personnel chiefs.

The first question for Dr. Chu is the whole idea of the Secretary of Defense asking for a review of the reserve component versus the active component, and what changes needed to be made to that of the ratio with respect to the new requirements we are looking at? Where are those reviews? How does that roll into the strategic overview for transformation? And, when will we get to see the strategic transformation plan that you are working on?

Dr. CHU. Well, we are trying to make as much of that available as we can as soon as it is completed. This issue of the balance between active and Reserve forces is one that is really ahead of us. We just started work on this question. It, in part, is to deal with the issue Mr. McHugh raised, and that is short notice recall of Reservists who aren't volunteers.

Our principle is that if you are a volunteer and agree to that short notice and put yourself in that box in advance, that is fine; but we are reluctant on such short notice to be calling up other elements of the reserve community. Yet, in some contingencies we need to reach the reserves at a very early stage, and I think that argues we should rebalance the force with perhaps a bit more of that capacity in the active force, and some different capacities in the reserve forces than we have—than we have today.

I am hopeful that the first elements, first significant elements of these changes will be part of the Department's fiscal 2005 presentation which will come to the Congress next year about this time. But we are delighted to share these conclusions later this year as they begin to emerge, and to maintain a dialogue with the Congress about implications of these changes for our force structure.

Ms. SANCHEZ. So the earliest we might be able to start receiving some of this draft that you all have might be towards the end of this fiscal year? Is that my interpretation?

Dr. CHU. Well, we have already begun briefing members of your staff, and would be delighted to speak directly to you about the overall structure that we are using, which is the result of the review the Secretary directed coming out of the Quadrennial Defense Review that was conducted in 2001.

The specific traits, the specific changes in the force structure, how we might rebalance active and reserve forces better to meet

today's needs, I anticipate those will be addressed in a significant measure as the 2005 budget comes before you. We have essentially made the strategic decision that during the current mobilization, it would be inappropriate to suddenly start changing the structure in a major way.

Ms. SANCHEZ. For all the personnel chiefs, I have the question of the whole issue that, in fiscal year 2004, the budget submitted by the President on the war on terrorism in particular, is not in there. You know, of course, we don't know about Iraq or we haven't released the information on that, but how—what is the shortfall in the personnel accounts for the war on terrorism? Or can you estimate how short you are coming up? And where are you getting that money from at this particular point?

General LE MOYNE. Congresswoman Sanchez, if I may for the Army. We have a formal process, and I think all the services do, that each year we formally analyze the current missions we have been given, the national defense strategy that is published and the defense planning guidance that goes with that. And then we forecast out for five years to six years. So, this spring we will be looking from 2004 to 2009. And we call that the total Army analysis. And each year, we make adjustments.

Currently, we have got a plan to where we have identified over 19,000 soldier spaces in our structure, that is active, the Guard, and the Reserve—that we feel we can convert to other specialties that have a higher priority and a more current need today based upon today's missions that we had not anticipated two years, three years ago. In general, those areas fall into military police, military intelligence, special operations and nuclear biological chemical (NBC) defense. Each year, ma'am, we will review this again and again and make those adjustments. That is 19,000 internal from Army structure that we have made changes.

Some of those we will look at to convert to civilian positions. If that passes the test, then we will look for the budget authority to pay those down the road to do that inside that structure.

Admiral HOEWING. Yes, ma'am. In the same process that we go through in the Navy and with the five year process regarding Palm 04, we have planned our end strength based on what we have determined to be the true requirements based on normal operations for the Navy.

Ms. SANCHEZ. Now, Admiral, you also have something about you are retiring, what, some 18 ships as I recall.

Admiral HOEWING. Yes, ma'am.

Ms. SANCHEZ. And so you are actually downsizing in strength for this?

Admiral HOEWING. That is true. Our actual end strength will go down very slightly on the program of record based on the decommissioning of nine destroyers and three cruisers, four landing platform dock (LPDs), and some aviation squadrons and some restructuring. So, based on that reduced structure, the actual numbers and end strength will go down about 1,900. What we will most likely potentially need, depending on how this year unfolds as we move into Palm 04 is the two percent authority that Congress has given us, plus the three percent if needed as authorized by the Secretary of Defense. If we operate at the same type of levels that we are this

year, we will need to be able to operate at that two percent capacity.

So, right now our program that is presented in the President's budget reflects the true requirement does not yet—is not funded for that 2 percent above the 100 percent requirement.

Ms. SANCHEZ. General.

General BROWN. Yes, ma'am. Clearly there is going to be a cost with the global war on terrorism. And we go through the same structure the other services do as we plan and budget and put in our requests. I will tell you that as we pay for today at higher costs, because we have more activated or more mission, then we will be looking for a supplemental. And we track those things that were not part of the program that we added, and then we will be seeking a way to pay that back because we are using tomorrow's dollars to pay today within our service.

We are also doing some things from a transformational standpoint to try to look at how to accomplish this new mission, our skill mix, do we have the right people in the right places. And that is not only within the active duty force, but also across our Total Force, active, Guard, and Reserve. So we are looking at ways to reposition mission, if need be, based on the new mission that has been given to us rather than settle on the mission that we accomplished in the past.

Ms. SANCHEZ. General.

General PARKS. Ma'am, much of what my colleagues have discussed applies to us as well. Obviously, the same cycle time. We continue to look as well, as I addressed in my opening comments and in my prepared statement. We asked for additional end strength last year and Congress provided that. We have asked for a very modest increase of 42 in our reserve establishment for this current year. All that is a part of us looking internally and reorganizing and evaluating our Marine Forces Reserve to establish a comprehensive review group to look internally at how they would review, evaluate, look at the missions and continue on.

As far as the second part of the question in regard to current strength, current requirements, we were operating in very selective stop loss for the first 15—14, 15 months of the global war on terrorism using a very limited number of people. In fact, I think in that entire time, we only retained 337 Marines beyond those that would otherwise have remained.

As of January, our requirements went up markedly in order to maintain unit cohesion, unit readiness, to address the high density load demand jobs that we have, as well as the force protection requirements that we saw, and, finally, to limit the number of individual ready reserves that we might need to mobilize if we established stop loss across our institution.

As General Brown alluded to, that is going to cost us more, but it is what is required in order to be ready. And, at the same point, we continually review that routinely in order to determine when we can curtail that and get back to normal operations.

Ms. SANCHEZ. And if the chairman will indulge me one other question, which deals with one of the questions you had, and I think an answer that I heard from General Brown. Our reservists who find themselves continually called up and deployed, is it be-

cause they have certain skill sets that we require? Is that the biggest reason why we seem to be sending the same people and those are the people we are hearing from? Or are there other reasons why they might be caught in this continuous service?

Dr. CHU. Let me offer an overview, if I may, and invite my colleagues to supplement it.

I think it is easy to overestimate how many people have been mobilized more than once. If you look at the entire period 1991 to 2003, we have done some estimates now, there is actually only a four percent chance that a person will be called the second time involuntarily. Now, you do have significant numbers of people who volunteer for service, and they are brought to active service in a variety of different statutory rubrics. And I think we don't want to mix that with the issue of involuntary mobilization. Volunteer service is a different kind of animal.

To the extent there are groups that are being called up more than once, it is in my judgment concentrated in certain specific skills. General Le Moyne has already mentioned several of those in the Army cases, especially military police. That is, for obvious reasons, since September 11, 2001, a shortage skill in all the military departments.

Likewise, there are similar skills in the other services. General Brown has a particular problem, for example, with intelligence skills in the Air Force, again, I think quite understandable in light of the September 11th aftermath.

So it is concentrated in a small set of skill areas. It is not an across the board issue. To the extent that you see more people and you will encounter more people when you visit the field talking about multiple call-ups, many of the people are volunteers. The number who are involuntarily mobilized for a second time during this 12-year period is actually quite modest.

Admiral HOEWING. Ms. Sanchez. Skills, yes. The short answer is yes. What I would like to address is how we are going at that in the Navy. As we—when we—well, first of all, when we saw that we mobilized sailors very rapidly after 9/11, we did that largely in the area of anti-terrorism force protection. Since that time, we have gone through a process of converting sailors from one skill set into the Anti-Terrorism/Force Protection (ATFP) skill set so that we can demobilize those reservists as fast as we possibly can. And in fact, we went from 10,000 down to about 2,000 as a result of that effort.

Another area that we will be looking at is what we call Navy coastal warfare, the guys that provide the harbor security. That effort went totally into the reserves, and now we are taking a look, should we bring that capability, or at least part of that capability, back into the active force so that we don't have to mobilize those reserves over and over.

Regarding an earlier question, Mr. Chairman, when you talked about the non-volunteers and the short notice. What I would like to address is something that we stood up in the Navy as a result of that, we call it the NESAC, Noble Eagle Sailor Advocacy Cell. We wanted to be able to reach out and touch every single one of those mobilized reservists and find out what their situation was so that we could work with them. And, when it came time to demobilize, let us make the best institutional and personal decisions, mo-

bilize those that were a—demobilize those that were of the greatest impact on them personally, and continue to keep those sailors that were volunteering and wanted to continue to serve in a mobilized capacity.

So I believe that was the most effective way that we could go out and make sure that we minimize the impact on our mobilized reservists so that they would continue to want to serve in the future.

Ms. SANCHEZ. Thank you, Mr. Chairman.

Mr. MCHUGH. Thank you, Ms. Sanchez.

As I explained, regretfully, from my perspective, at the beginning of the hearing, I do have to leave now. I am going to turn the gavel over to Mr. Cole, our vice chairman, the gentleman from Oklahoma. And let me just make a couple comments.

Mr. Secretary, I heard you talk about four percent involuntary, likelihood of being involuntarily recalled. And I don't disagree with that, but I think we have got to remember something else. And this in no way argues totally against your statistic, but it does come into consideration. During our trip we heard a lot of discussion from volunteer reservists—and I said before, I recognized you were going to make those comments, and they are very appropriate—that they were indeed mostly volunteers. Many of them volunteered the second time because they were fully convinced from past experiences that once they got home they would be involuntarily activated, so they volunteered. So the volunteer is like the word beauty; it is in the eye of the beholder sometimes. And we know in the service how volunteerism sometimes works. So I think we have got to remember that in the calculation.

Ms. SANCHEZ. Mr. Chairman, I think also the length of the deployment—it starts off being a certain length, but they end up being kept there for a longer time. I think that is one of the things that we hear.

Mr. MCHUGH. Absolutely. Absolutely.

The other point—and she raised several excellent points, and I appreciate her doing so—was that, you know, the issue of rebalancing the force is a very difficult one; and I commend the services and the Secretary, Mr. Chu, Mr. Secretary, you and Secretary Rumsfeld for taking this up. I would rather do it right than do it quickly, if I had to choose. But the fact of the matter is, the Secretary of Defense has used this—used is the wrong word—has invoked this as one of several of his reasons for adopting his net zero policy with respect to end strength. And, again, I am delighted with your recruiting and retention numbers. I am deeply troubled how long that can last. I know you are concerned about it as well.

There is a real sense of urgency to get this done so we can assess as quickly as possible what that would mean in terms of very rightfully moving folks in military uniform into facility jobs. I think it is the right thing to do. But I just want to stress that we need to get that done as soon as is practical and as soon as it can be done well, and I know you share that concern.

Dr. CHU. We do, indeed; and your characterization is gentle, as compared to Mr. Rumsfeld's.

Mr. MCHUGH. High praise indeed.

Admiral Hoewing, your first trip. You seem like a delightful man. I am looking forward to working with you. I am not sure I would join anything called a "cell" these days.

But the second thing, just for your information—you do not make these calls. There are a lot of things in this town that are above my pay grade, and I know they are above your pay grade. I want you to know that the subcommittee and the committee are very concerned about end strength—certainly, I am—and concerned about it particularly from the Navy perspective. Because as, again, Ms. Sanchez pointed out, largely through decommissioning you have a scheduled big drop in Navy strength by almost 10,000 by the end of this fiscal year; and, under the budget proposal, you are going to continue to reduce active end strength to about 370,000, which is 5,700 below the 2003 authorizations, by 2006. And the 1,900, which sounds innocuous but is rather important to Members of Congress on occasion, is the fact that that is below the statutorily mandated minimum. So, in other words, you are breaking the law.

Now, I am not going to arrest you, and I understand how these things work, but I want you to understand in your very important job—and I fully expect you are going to do it extraordinarily well—that does cause some agitation here on the Hill.

You do not need to respond. If you care to, knock yourself out.

Admiral HOEWING. No, sir.

Mr. MCHUGH. You are going to do great.

With that, the ranking member, who, by the way, was gracious enough to come with us and help lead the trip overseas that I mentioned earlier, and a great American and a great leader, as you folks know, particularly on this subcommittee. Thanks, Ike.

With that, as my parting gesture and one of the best things—I will not say the only thing—one of the best things that I have done today as subcommittee chairman, I will yield to Mr. Schrock and turn the gavel over to Mr. Cole. I will be submitting some questions for the record to fill that out.

But thank you for your service, and again extend our deepest appreciation and admiration for the troops that you look over and care for. Thank you.

Mr. SCHROCK. Thank you, Mr. Chairman.

I want to make a couple of comments on some of your opening statements, Dr. Chu, especially; and there is a theme that goes throughout this.

Pay has certainly helped retention. There is no question about this. That is a good thing. As one of those of maximum age, I think it is a good idea to keep folks in longer because they leave just at the time that they are in their most productive years and that, I think, is a shame, and I think that is a mighty good thing.

TRICARE Prime, that was something that we have been concerned about.

Dental care is certainly another one that—a lot of people, I am told, are called up, and they haven't had dental care for several years, and it can certainly delay things.

Your comment, "not in my job description," I despised that when I was active duty. I despise it now. I don't think it has any place in our military or government, and I am glad to see you say that.

And the credit card thing. I just came out of a 14-hour budget meeting yesterday, and when I saw some of the things where fraud, waste and abuse are rampant, and I saw the \$97 million in credit card abuse at the Pentagon—I love the Pentagon and everybody there, but that has to stop, and you know that. When you talk about getting money to do some things, we need to cut down on some of that.

General Le Moyne talked about quality of life. General Brown talked about the operating tempo (OPTEMPO) has hampered retention. I think it has enhanced it, because the battle that these folks are about to go into, they are finally doing what they were trained to do. When I was in Afghanistan I never saw so many upbeat people.

The reserves and the active duty are seamless. That is a good thing. That certainly proves that the training is working and the interoperability with the Air Force and the Army working together. I think that is what Secretary Rumsfeld is trying to initiate in his transformation. That is a great thing as well.

Admiral, the Navy certainly has had remarkable success in recruiting and retention over the years; and we are very lucky to have some of the mighty fine young people in uniform that we do. After their first enlistment they choose to reenlist; and I frankly think, in the Navy's case, that is due to the great Chief of Naval Operations, Admiral Vern Clark. He inspires people in ways—it is amazing when you see him with the troops. They absolutely love him. But he loves them, too; and that accounts for the 68 percent retention rate. And that is a very good thing. I have watched him on the decks of ships, and it is absolutely amazing.

A lot of people choose to stay in for various reasons. One of them is the selective reenlistment program. I am wondering, and I would like the Generals to answer this as well, if you have some thoughts about how this subcommittee, members of the whole subcommittee, Members of Congress in general, can help in your efforts to recruit and keep high-quality people. I think that is one of our jobs to help you in that so that we do have the best military that we can possibly have.

Admiral HOEWING. Thank you, Mr. Schrock.

In recruiting in the Navy, we call ourselves green. We are meeting all of those objectives. We have got this very large delayed entry program. But that is one of those areas that can turn red almost overnight. We know that our economy is going to change out there.

We are also not so naive to know that that one of the main reasons why we have such good recruiting success right now has to do with the economy. We have multiple programs that we want to focus on, one of which—in the Navy, one of our new initiatives is called Navy College First, similar to an Army program. This gives us the opportunity to not only enhance our recruiting opportunities but to penetrate the current college market even greater at the enlisted rank.

We also know that sustained advertising and sustained recruiter support are absolutely essential so that we do not harvest too much in that particular area.

Regarding retention, in the Navy, the Selective Reenlistment Bonus (SRB) Program is our most effective tool. This year we will be asking for an increase not necessarily in the amount total for the year but for the ceiling to raise in certain specific areas in order to meet those mission requirements.

Another request that you will see in this year's submission is for what we call a lateral conversion bonus. We have some ratings in some skill sets where we have more sailors than we have requirements, and we have shortages in others. It is that balance of skills mix. We have a very good tool when we are reenlisting sailors called Perform to Serve. Lateral conversion bonus would be an opportunity to provide an incentive to change from one skill set into an area where you need that additional skill set, provide some training, and get them there sooner at very low cost. So you end up getting both mission first, sailors in the right areas and sailors—always we are taking care of them.

The last area I would like to mention—and I briefly mentioned it in my oral statement—is our Sea Warrior Program where we literally shape the growth and development of every sailor into the requirements of the job. Once we know those requirements very specifically and assess the capabilities of our sailors, then we can provide tailored, shaped training in order to be able to meet those mission needs.

Those are three particular areas that I would like to highlight.

I would also like to mention very quickly that we just got our February statistics in, and it was 79 percent first-term reenlistment rates for the United States Navy.

Thank you, sir.

General LE MOYNE. Sir, if I may add, from a viewpoint of in your lifetime you have seen the military draw down twice, after Vietnam and after Desert Storm; and in both cases, to paraphrase the term, we are looking for the peace dividends. There is a tendency, when the outside influences are there, to recruit soldiers and retain them. The bureaucracy and the budgeters have a way of slashing programs to get that peace dividend, and we damage our process, and it takes us three to five years to recover from that. What I would ask for, sir, as I said in my oral comments, is let's work together to manage this program by program, service by service. So, instead of breaking things, we can, in fact, as the Admiral said, carefully manage this to sustain the long-term health of the military services at the same time we make the adjustments to meet, as you pointed out, the needs that we will run into in the next year or two.

General BROWN. My words will be very similar to what Admiral Hoewing and General Le Moyne said. Our force is very healthy and very strong right now. Retention rate is the best we have seen in years. Even our pilot force, which has been understrength—and it is still a bit understrength. But the retention rate, the return of pilots to the Air Force since 9/11, we have brought over 300 pilots back into the Air Force who were Air Force members, separated. And I will grant you that they are probably furloughed airline pilots today, but they have put the blue suit back on and come back to us. So our pilot inventory is not fixed yet, but it is a whole lot closer than it was.

But I would ask that we stay the course. Even though recruiting is in great shape, our retention is very high, what we cannot do is let ourselves slash that recruiting budget. We cannot go and slash our SRB program. It is a big part of why our retention is high. And we have got to avoid going through the sine curve and end up chasing ourselves as we miss the boat and we dip back down.

Similar to the remarks of my colleagues, I would ask—and this committee has helped us immensely get to where we are today, but we must stay the course with the programs that we have. Let us have the flexibility in the SRB program to maneuver absolutely where there is a career field that is in good shape and we can reduce that absolutely. But if we stay steady, we will continue to go right through whatever economic swing might occur; and we all know it will swing.

Thank you, sir.

General PARKS. Sir, I will pick up on the back end of the retention side and reinforce the points that have been made by my colleagues from the standpoint of the SRB is critical to the success of our retention program. It is the factor that allows us to maintain the critical skills individuals that we need so valuable in our force.

The other two points I would make are on the front end. One is the legislation that was passed that allowed military services to compete in high schools with the same level of contact and visibility that open employers have to Americans. We have the largest employer in the country and the opportunity to present that.

The final point I would make is from the standpoint of what can you do. Speak to the value of the all-volunteer force. The ladies and gentlemen of this subcommittee, Members of Congress, talk about the value of service to your Nation in your speeches, in your various opportunities across the country that you get asked to do so routinely.

We have smarter people, better people, we have more high-technology, sophisticated members than we have ever had. What we find so often is not that people are anti-military. When you talk with the parent, they simply are uneducated about the value that our Chairman addressed earlier of what you see, the wonderful young men and women that are serving. I think that would do as much as anything that we can do to enhance our recruiting.

Mr. SCHROCK. I am asked often if I think we need a draft again; and I say, no, because I am gathering that the all-volunteer force is working well and why mess with success? So I guess I am correct in that.

General PARKS. From my standpoint, you are absolutely successful. I have made a comment in the past in a forum of saying we are far better off than 25 or now 30 years ago when I first came in, and you will have a fellow in the back of the room saying it was pretty darned good when I was in. And I would agree. I hope 30 years from now someone looks back and says we are the best that we have ever been, and we continue to move forward. We are so much better with the quality of the all-volunteer force.

Mr. SCHROCK. Mr. Chairman, one other question.

Admiral, Ms. Sanchez said something that confused me. Ten thousand reduction this fiscal year; then there is the 1,900 figure. I am confused. I know the 963s are going away, some of the guided

missile frigate (FFGs) are going away, and some of the squadrons are going away. Does that add up to 10,000?

Admiral HOEWING. Right now, we are running two percent above our fiscal 2003 program of record. Our 2003 program of record is 375,700, and we are several thousand above that. What we will go to in fiscal 2004 is 373,800. So that is down 1,900 on the President's budget that the Navy has submitted. But our actual strength is higher than that.

In my comments earlier I mentioned that our funded program right now is to the President's budget. What we would anticipate, depending on the amount of operations and the pace of operations and OPTEMPO, we may still need to operate at that two percent authority above that number.

Mr. SCHROCK. Thank you. Thank you all.

Thank you, Mr. Chairman.

Mr. COLE. [presiding.] The Chair recognizes the gentleman from Georgia.

Dr. GINGREY. I hope these questions have not already been asked, and I apologize if they have. I came in a little bit late.

I would like to address my comments and questions to each member. It pertains mainly to recruitment and retention.

We just debated a bill in the House today, H.R. 5, regarding medical justice, medical malpractice, and the fact that many, many physicians—of which I am one—at my age are getting out of the practice of medicine. Not because they want to but because the climate which they are in is discouraging. We are losing some of the brightest and the best at a time when we desperately need them.

I have been concerned that the same thing occurs for different reasons in the military. I guess it is mandatory at a certain age some of the brightest and the very best that we have spent a lot of money investing in—and I have heard testimony from the Under Secretary and others about this, but certainly would ask you your opinion about are we moving forward with trying to make sure that we are able to retain people and they are not automatically required to retire at a time when they are certainly physically and mentally qualified to continue to serve us?

In my local community, Marietta, Georgia, the new chairman of our school board is a retired Air Force General. He is doing a great job. General Redden. He is doing a wonderful job.

But I just wondered if the Air Force has not lost some great value there. So I wanted to mention that and ask each of you your opinion about that.

The other thing I wanted to mention, and it has already been mentioned and touched on in—and, General Parks, you mentioned this—in remarks to the all-volunteer force and the elimination of the draft. Of course, there are a number of folks on Capitol Hill, Members of Congress, who are talking about reinstituting the draft and describing the all-volunteer force as unfair because it seems to be predominated by members of society that maybe are not quite as affluent, can't afford to go to college or possibly are not encouraged to do so, and they join the military. The rest of the kids, middle and upper class, go on off to Princeton or Harvard or Yale or wherever.

What can we do—what can we do to encourage all students at a younger age—I am talking now really high school, because once they get in college you have kind of missed the opportunity to make a military career attractive to them. I am wondering, in regards to Junior ROTC programs and the opportunity to reach down to these 15-, 16-year-old kids and let them know that, gee, being a Lieutenant General at the end of the day would not be such a bad way to spend your life, or a Vice Admiral or an Under Secretary of Defense. Pretty darned good.

So I have thought about that a lot, and I just wondered about your comments in regard on that.

General LE MOYNE. Sir, before I jump in, may I talk to you about an opportunity in the Army Medical Corps?

Dr. GINGREY. Yes, you may. As you know, as a Member of Congress, we are not supposed to have a practice outside of this full-time job that we are enjoying up here making these big bucks. So you may be able to interest me in that, if it is permissible.

General LE MOYNE. Sir, I was not born in Georgia, but I got there as soon as I could.

Sir, a couple of points. You touched on some things that many of the fellow Members have brought up to us, not only today but in months past. If I may, sir, I have heard also and I have read the commentaries about we are drawing an inappropriate share of America's military from a disproportionate parts of our society, and I disagree. Our military for 227 years has offered an opportunity for all of us to change our lifestyles and to change the niches that we are in. Most armies, air forces and navies do not offer that. Yours does. And we ought to be very proud of that.

When you walk through those ranks and look at soldiers and sailors and marines and airmen's eyes, you see it when you are overseas. This volunteer force, because of the way you helped shape it, is a startling success in this world's history.

Sir, when we tinker with this, let's tinker very, very gently, because we have proven to you that we can meet the standards that you have told us to meet. Today, sir, the Army is drawing 22 percent of its brand-new recruits out of the college market, astounding success and unheard of in public commentary. We have a quarter million high school students in Junior ROTC. The purpose is not to enlist them in the military. The purpose is to shape their citizenship, teach them self-esteem and keep them in high school; and they have a higher graduate rate and a higher grade point average than other students in American society. So we have made remarkable success in the last 30 years.

As Dr. Chu said, it is a success; and we must maintain it.

Thank you.

General BROWN. I would like to comment next.

Since you brought up my good friend Joe Redden, I have got to tell you, Joe Redden and I have flown a lot of missions and a lot of sorties. He is one of the finest fighter pilots I have ever flown with. I know he is a great school board director, too. I have heard that. Georgia's gain was the Air Force's loss.

Joe Redden met MRD, mandatory retirement date. He would probably still be in uniform if he had had a choice, but he made mandatory, and he is Georgia's gain.

Dr. Chu in his opening remarks talked about that very issue, that he and the Secretary of Defense, with the services' support, are putting forward the raising of some of those limits of time and service in order to keep some of the—especially the senior leaders who are at their peak of performance and we tell them they must leave.

So we support trying to get that initiative forward. It would be helpful.

I agree with General Le Moyne about the exposure of our young people in America. We have somewhere in the neighborhood of 600 Junior ROTC attachments, and we are raising that to about 900 next year. We are trying to have a 50 percent increase in the Air Force Junior ROTC program. And I think there is similar activity—

And I will admit there is some hope on our part that they will put the uniform on and be exposed to Air Force and think about Air Force. But the primary purpose is what the General expressed, and that is to make them better citizens, keep them in school, teach them some discipline and understanding. Then if the secondary benefit is they put a uniform on in high school and that appeals to them, they either join our service or go on to college and find our Senior ROTC outfits, we would love to have that, also.

Admiral HOEWING. General Le Moyne's statement was wonderful, and he is spot on. We in the Navy are expending our Junior ROTC programs and will continue to do so because of the wonderful impact it has on those folks.

I also want to go to the previous question when we started talking about medical, before the General jumped in and grabs you before I could, is that the special pays and bonuses and incentives are always a target when retention is high. We have had this discussion earlier with SRBs, but it is like SRB for our officer corps. They are absolutely critical to our success in sustaining the type forces that we do.

One of the things that we have been doing quite a bit of over the last several months is retire-retain high-quality individuals. Many of them are in the medical field; and one of those is Dr. Freed, who is the optometrist for the Congress. We were just successful in continuing him in a retired-retained status for another 2 years in order to continue providing that support.

The other area where we would not do the retired-retain is in areas where we already have adequate numbers and skill sets.

General PARKS. Sir, to pick it up, if our Navy brethren did not provide our doctors, I would be following up the same way to recruit you.

From the standpoint of where Dr. Chu began his opening remarks on transformation, I think the Department and the discussions are spot on in doing the things that we need to look at, examine in a holistic way the potential to keep people for longer service, as was mentioned, at the peak of their careers, whether that be officer or enlisted. We have some wonderful people. We obviously cannot keep them all; we will stifle the system. But we have plenty of opportunity to selectively retain, and that is the approach that the Department is looking at.

In remark to the all-volunteer force, clearly the recruiting side is the lifeblood of each of our institutions. We have got to continue those new people coming through the system to perpetuate the future.

The American youngsters, in my opinion, are dedicated, devoted young people with tremendously bright futures; and again the opportunity to get in front of them has provided us access that we have not had in the past. The programs that were mentioned, the ROTCs, the Young Marines Program, all the various types of things are truly citizenship programs, but we are not disappointed if we get some benefit out of that.

The early chance to influence them, an early chance to frame opportunities is provided through the access that we get to those young people. In my opinion, they do not think at that point about being a Lieutenant General or a Vice Admiral. They do not think about what a potential value is of a career in the military. They look at that person and say: Can I be like him or her? Here is an opportunity. I want to be like him. They come in, and they decide whether military service is for them.

The more we can do to educate people in that context, to expose them to the opportunity—we do not want all, we couldn't take all, but at the same juncture it would provide each of them a better opportunity if they had the chance to be exposed.

Dr. GINGREY. Mr. Chairman, if I may make a closing remark, I am so uplifted to hear your responses, each of you, in regard to that line of questioning. I have already felt great about our armed services and our young people that serve and make military their career.

Quite honestly, I personally would like to see the Junior ROTC program be just as mandatory as driver's ed or anything else that sometimes our citizens are crying out for, because it would be money well spent. It is not—the primary motive is not to recruit these youngsters, although when they have got a role model to look up to and that person that has them in uniform one day a week—I think it would be a great, great thing. I am just so appreciative of your attitude toward this, and I thank you for your testimony.

Mr. COLE. The Chair recognizes the gentleman from Virginia.

Mr. SCHROCK. Let me say something to Dr. Gingrey.

I am a perfect example of that. I was born and raised in Ohio, never considered the military. I got drafted, and the day I got my draft notice I thought my life was over. I thought, I will do this three years, holding my nose, until I got in and realized the focus it gave me and the maturity it gave me, and I stayed for a whole career. When I was in Officer Candidate School (OCS), a Master Chief was a god, as you can imagine. They still are. That is exactly right. But it made me what I am today. There is no question. I hate to think where I would be today had I not had that experience in the Navy.

My son is a reservist. Tom Gordy, one of my key guys, is a reservist. I hope to get Recruiter of the Year award here. Everybody needs that experience, and they will look into those people.

My son is an ensign, and I know he is as happy as if he were a four-star admiral. That is the key. He is getting the discipline,

and that is vital. That is what it meant to my life, and it means that to a lot of people's lives as well.

Thank you, Mr. Chairman.

Mr. COLE. You are welcome.

If the gentleman from Georgia will forgive me for an observation, if you left medicine and came into elective politics in pursuit of a better lifestyle, you better—

Dr. GINGREY. Thank you, Mr. Chairman. Unfortunately, it is too late.

Mr. COLE. I have a few questions.

First, thank you very much for your service to your country. I can't tell you how appreciative I am and I know all of us on this panel and, frankly, in the Congress are for what you do each and every single day. And thank you for the product that you have produced for us.

We have just seen magnificent displays of the talent and the ability of our young people. But the leadership they have gotten is inspiring and exceptional, so thank you.

Let me ask you this. I want to back up to just a really big question. Dr. Chu, it is probably better directed to you; and perhaps if the other gentlemen will respond as they see fit.

At the beginning of the last decade, we had 2.1 million people in the service of our country, a magnificent force, obviously. We chose the course in the 1990s to draw that force down considerably. We thought we lived in one kind of a world. After 9/11, we found out in 2001, perhaps we should have known sooner, it was a different kind of world.

I would like your reflections on whether or not—we know we have a superb military, but have we stretched it a little bit too thin? Are the numbers too low? If you were thinking ahead—and it is a very difficult world in which to make projections and predictions at the moment—where would you prefer to see the military at, if not at the size it is at today?

Dr. CHU. I think, sir, we all appreciate that the military will need to change in the years ahead to meet these challenges. We think we have enough numbers of people on active service, but we are not convinced we are using all of those allocations in the best way. We have a significant number of military personnel who perform tasks that a civil servant could perform. That is one of the reasons we would like broadened, more flexible authority to manage our Civil Service better to make those conversions.

We also think that our way of using forces overseas may need to change. General Jones in Europe has already begun to talk about a different kind of forward stationing of American military power in Europe. The Secretary has opened the door, responding to the new President in South Korea, on rethinking how our forces are stationed in that country as well. I think we want to move away from the view of the Cold War as to how we used our people.

I applaud the Navy, for example; and Admiral Hoewing might want to speak about the Sea Swap experiment. That is a way of using the same manpower in a manner that is much more effective, delivering military capability to the United States.

The same thing is true of our reserve forces, which is why we are advancing this notion of continuing service. Many would like to

serve more than the 39 days permitted. We would like to enhance that spirit of volunteerism and use those individuals, particularly in high technology and other areas, where they could help fill in where we in the active side ought not to try to grow our own information technology specialists, necessarily, or our own spectrum management specialists, because the cutting edge in many of those fields really is in the civil sector. We ought to draw from that civil sector in a more skillful way than we now do.

We think we have enough aggregate authorization. The challenge is, how do we redeploy those authorizations better to meet the needs of the 21st century?

Admiral HOEWING. Thank you, Dr. Chu.

To explain what Sea Swap is, this was the process of swapping out crews, as opposed to swapping out ships. What it does is dramatically reduce the transit time without any additional strain on the sailors involved. We fly them over into the theater, and we do it in a cycle of about three. When we send those ships over there, we send them in great condition so that they can sustain a full year or longer, year-and-a-half, of operations and do any maintenance that is required in order to sustain the ship on site.

I would also agree with Dr. Chu that the numbers are just about right, as we talked about. It is all about skills, as we mentioned earlier. I believe that we have a responsibility to the Congress and the American taxpayer to deliver effectiveness first at the most efficient way that we possibly can.

When we take a look at our acquisition of new programs, when you incorporate manpower from a human systems integration into the acquisition process, we can find that we can deliver even greater capability but reduce the life-cycle cost of the system by building technology into the systems and less manpower, and we are trying to do that in the Navy. In many ways you will see that is why some of the numbers will go down as we bring the Littoral Combat Ship and the CVN-21 and DD(X)—all use human systems integration into the acquisition process in order to make a smaller but more effective and more efficient Navy.

General PARKS. I will pick up from there, sir.

The active component Marine Corps, I mentioned perhaps before you arrived that we had increased 2,400 in 2003. That has been as a result of us looking at our own organization, but in direct response to 9/11 and the immediate need to stand up a capability that we felt would help the Nation in the anti-terrorism role.

The organization—our organization, the United States Marine Corps, is transformational by design; and we feel like that was simply another example of our Marine Forces Reserve doing a comprehensive review to look at where those skills can dovetail together. Their mission is to augment and reinforce and not to have independent capability but a mirror image capability of what is on the active component. So when we need to go to the reserve we literally have used up all the capability that is in the active component.

Another one of the things that I think we did a number of years ago was the establishment of the Unit Deployment Program in Okinawa, where we build up a unit in the East or West Coast or Ha-

waii and we transition them to the forward-deployed base in Okinawa.

From our standpoint of overall need and where we need to go with that, right now we are in surge mode; and we need to ensure that we wait until we assess what steady state is, look at that, analyze what we have got, and put into play some of the things that Dr. Chu spoke of earlier from a transformational standpoint to determine the usage of units versus individuals that we are now dealing with.

Mr. COLE. During the 1990s, obviously, we did not only reduce uniformed military personnel, we reduced a substantial number of civilian personnel that were associated with DOD in that period. I know there is an emphasis now on making sure that uniformed personnel are pursuing the task of military personnel. Did we have a situation in the 1990s when perhaps we actually drew down too many of our civilian employees and started using uniformed personnel for functions that in the past we had confined to the civilian part of the DOD? Or not? I am just curious.

Dr. CHU. I do not want to cast aspersions on the recent past.

Mr. COLE. And that is not the intent of my question.

Dr. CHU. I understand. I think we do have a result where we have, as a country, sometimes turned to the uniform forces for a function because it is such a great team of people and because it is so flexible. So this question, for example, as I indicated in my opening remarks, of changing someone's duties in the civil side, as I indicated, if I change someone's duties I have to recompetete that position. That is a lengthy process; and I have to hope that the incumbent, if that is the person I want in that job, wins the competition.

On the military side, all the General needs to do is say: Sergeant, I need this. The Sergeant salutes, and it happens in five minutes. That flexibility leads people from all sorts of functions—from the highest levels of the government down—to prefer military solutions when a civil solution would not only suffice but it would be a better application of the taxpayers' dollars.

That is what we are trying to correct here. It is not a recent phenomenon. It reaches back several decades in its origins. We think if the Congress is willing to give us these kinds of powers, we can make that change happen.

General LE MOYNE. Sir, if I may, from a very limited point of view—and I am not a professional personnelist—but the last four or five years, what I have sensed, particularly with the change in Federal law that allows retirees to continue in Federal service, I have seen a growing propensity to hire retirees to do jobs they used to do in uniform but now they are civilian; and I found that to be very fortunate and healthy. I have not sensed that we have moved uniformed military personnel into those civilian positions.

Mr. COLE. Just so you understand the thrust of my questions, I look at the last decade and I see a Democratic President and a Republican Congress. This is not a partisan shot at anybody. I think everybody was trying to make the best decisions at the time. Circumstances change.

Let me ask a couple more questions, if I may. Dr. Chu, you mentioned only four percent of folks that are being called up are being

done involuntarily on second deployments. Just as an observation, and then I would like a response, I want to give you a perfect example—and what is the appropriate phrase—low-density, high-use unit.

I have got an Airborne Warning and Control System (AWACS) unit at Tinker Air Force base in my district, and they do a terrific job. They are unbelievably talented. But, over the last decade, the regular service component of that has been continuously used very, very heavily; and, obviously, the reserve units have been used very, very heavily as well. I am wondering what is being done skill set by skill set, if you will, to try and bolster those areas that you see particularly vulnerable to overuse?

Dr. CHU. At the top level, the Secretary of Defense has basically told us that he does not want to end his tenure having any more low-density, high-demand units on the books, at least the kind that we started out with. His characterization is that is a list of our mistakes that we need to correct.

Now, the remedies in each case will differ. Some of the skills that you indicated, as General Brown can fill in here, it is a matter of opening our aperture in our training pipeline so that we have more crews. That takes time, and that is the kind of thing we can fix.

I am very pleased, in terms of the larger issue of not calling the same people up a second time, at the way the various military services have tried to examine the full set of units they have and have started to call up units that in the past they might not have turned to in these circumstances. So you are seeing stories in the news media of units being called for the first time since the Korean War or the first time since World War II. That is a tribute to the military services looking more carefully at the total inventory and asking, could somebody else do this job so we do not have to call the same people a second time?

I particularly congratulate what General Brown touched on, and that is the Army's decision to step forward and by mobilizing, some of which had not been mobilized for long periods of time, relieve the Air Force of the need to extend security police personnel involuntarily for a second year. We have some on a second-year tour, but I believe the majority of those are indeed volunteers, even if carried in involuntary status.

General BROWN. That is correct.

Sir, let me comment especially on AWACS and other low density, high demand (LDHD). The AWAC'ers are the folks in our Air Force that tell the fighter pilots where to go. They take great pride in that. I say that as a fighter pilot who is often told where to go by the AWAC'er. They are critical assets to our mission of air superiority and covering the skies over wherever we are controlling.

We have just this year for the first time initiated a retention bonus for this group called the air battle managers who are the folks who are the heart and soul of the AWAC business. That has been long overdue. I appreciate your efforts in allowing us to do that and the funding that goes with that.

But we have targeted very clearly in the enlisted side of our house with SRBs those low-density, high-demand, but now we are paying a lot more attention to the officer side on the AWACS. It is very much a training issue. In the rated community especially

where airplanes are part of that operation, we have got to have force structure to accomplish the training to then grow those, more AWAC'ers. When they are constantly being deployed to the point where we sometimes cease training because we have so many commitments then it is hard to sustain that training. Within our Air Force that is what we try to do to grow and sustain that field.

There are some great men and women, as you know. You have met them. They are out at Tinker, and that is the hub of all of our operations around the world. But that is one example, AWACS.

We now have some bonus opportunity. Our retention is increasing, and it is much higher, and they are appreciative of the fact that we have shown appreciation as an Air Force of the job they do for us. So we are concentrating hard on paying attention to those LDHDs. If bonus money is what is needed in a way of incentive to retain, then applying some of that.

I Think we are seeing a turnaround. Our figures in the AWACS community specifically are much stronger this year than last year and in other LDHDs.

Dr. Chu is right. The Secretary of Defense has made it very clear he can't imagine an organization that has a known LDHD and just sits in that status year in and year out and makes no change. So we are dedicated to fixing the low-density, high-demand assets that we have in our Air Force.

Mr. COLE. Just a comment before I yield to my friend, the gentleman from Kansas. A great Civil War General once said, the secret of war was getting there the firstest with the mostest.

We do a great job of getting there with the firstest, without a doubt. I would just ask you—you all have done collectively just a brilliant job of managing resources, vastly diminished manpower compared to what we had. Just don't be so efficient that you ever run the risk of not getting there with the mostest, however we want to define "the mostest." I think that is something that certainly I as an individual, and probably this panel has a great deal of interest in. We do not want you to be so good that at some critical moment you are short of anything or anyone that you need in terms of personnel.

So I applaud your efficiency. I appreciate it very much, and the Secretary, but I would just ask you to always keep that in your mind. I think you would find you have a great deal of support if you come to a collective decision that you need to have more in the way of personnel and resources.

Now, if I may, I will yield to the gentleman from Kansas.

Mr. RYUN. Thank you very much.

I would like to begin by thanking our panel for being here today, for the service that you provide for our country and also the staff that is behind you, all the things that they do. I know that I couldn't do what I do without my staff, and I appreciate what they do as well as the service that you all have provided. When we are in these times, close to a potential conflict, your star shines very brightly; and I think it is obvious that you should be commended for the preparations that you have made.

Dr. Chu, I would like to address a question I have to you with regard to the possibility of consolidated personnel pay structures. It is my understanding in the fiscal year 2004 Defense budget the

Office of Secretary of Defense has proposed to consolidate the active duty, National Guard and Reserves pay accounts into one military personnel account. That gives me concern, and I would like to raise the concerns that I have. As I see it, this would impact the National Guard in a negative way, allowing cuts in the Guard without representation perhaps in this process.

Also, congressional intent requires that you have the Chief and the National Guard Bureau (NGB) to prepare, justify and execute military personnel operation instruction budgets. In other words, they will have to appear before us and justify a lot of this. If this process is true, it reduces congressional oversight of the National Guard Reserve military appropriations process.

It gives me concern. Active duty, for example, uses an open allotment system and assumes each soldier draws full pay and benefits, whereas the reserve component system requires separate transactions. It is a positive way of controlling expenditures with regard to the National Guard. It has to be set up on a 365-day basis. Absence of this control with regard to appropriation, NGB, cannot accomplish what I think are its responsibilities.

If enacted as we are looking at it now, my concern is that it may lead to siphoning off of funds, creating a shortfall for schools and training in each of the fiscal years. I would like to hear your response as to how you see this and what it might cause as a problem.

Dr. CHU. I recognize those concerns. I think they are actually ill-founded. The proposal, as I believe you may be aware, is to maintain separate so-called budget activity groups within the overall appropriation. What the change would do is actually enhance the Department's ability to respond to urgent circumstances.

As you know, as things now stand, to move funds among these accounts, and as I pointed out to our reserve complement colleagues, this is as much an opportunity for them to benefit as vice versa. To move funds, for example, from the active to the reserve appropriation account, we have to not only get the Congress' sanction for the reprogramming that is involved, but we have to use the statutorily limited transfer authority that the Department holds to move funds from one appropriation title to another.

What the consolidation into a single appropriation title does is it maintains Congress' oversight through the preprogramming process, but if that reprogramming is approved it allows us to do it without diminishing the leeway that the transfer authority limit otherwise imposes.

In our judgment, it gives everybody the best in both worlds. You in the Congress still have the same oversight as you had before, as a practical matter. Once we agree on the changes that will be made, we have the ability to move funds without your having to pass additional statutory authority, which would be problematic in any kind of short-notice situation.

One of the concerns, always in circumstances like the present ones is, can we pay everybody in an unrelated appropriations slot? This enhances that ability.

I do think—I recognize that the swiftness with which this was proposed did lead to some substantial misunderstanding both as to

purpose and effects. I do not think that the ill effects that people fear are indeed there.

Mr. RYUN. I appreciate your comments, and I am sure that will calm some fears. Again, the process, as it works out, will determine whether it really does provide that. I am pleased to hear your comments.

I also want to ask, is it true that the Office of the Secretary of Defense (OSD) is planning to propose consolidating operation and maintenance procurement and military construction accounts in fiscal year 2005?

Dr. CHU. I will tell you that is news to me.

Mr. RYUN. Okay. You do not have an answer at this point, so we would like to continue pursuing it if we could. There is a rumor as well. Thank you much.

Mr. COLE. I think, actually, that completes our questions for the day. Gentlemen, thank you very much again for testifying; and enjoyed having you here.

[Whereupon, at 5:10 p.m., the subcommittee was adjourned.]

A P P E N D I X

MARCH 13, 2003



PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 13, 2003



**STATEMENT OF THE
HONORABLE LORETTA SANCHEZ
HOUSE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON TOTAL FORCE**

**DEPARTMENT OF DEFENSE TRANSFORMATION INITIATIVES FOR
ACTIVE AND RESERVE MILITARY PERSONNEL**

MARCH 13, 2003

Thank you, Mr. Chairman. It is a pleasure to be serving as the ranking member, on behalf of Dr. Snyder who could not be here today. I understand Vic is recuperating from recent surgery and hopes to return as soon as possible. We look forward to his quick recovery and return.

Mr. Chairman, I join you in welcoming today's witnesses—Dr. Chu, General Le Moyne, Admiral Hoewing, General Brown, and General Parks. I was pleased to see that the President's budget includes a number of provisions that would improve the quality of life for military personnel, such as pay increases. The increase in basic pay, along with the proposed targeted pay raise for mid-grade and senior non-commissioned officers and warrant officers, allows us to recognize the increased responsibilities and experience that we require of these individuals. These are important initiatives that we will review as we consider the fiscal year 2004 defense authorization bill.

While I look forward to hearing about these proposed legislative initiatives the Department has submitted for consideration, I am very interested in the proposed package of initiatives that we have yet to see—the transformation of our military personnel. I understand that the Office of Management and Budget is currently reviewing the proposals, and the Department hopes to submit them shortly. That being said, I do have some initial concerns as we look to radically transform our military personnel.

For several years now, Defense Secretary Donald Rumsfeld has been pushing the services to be creative and innovative in their ideas to transform the way the Department is currently conducting business. The Department's proposed transformation is a result of this bold new approach to managing the Armed Forces. While I share the Secretary's interest in improving the management and enhancing the efficiency of our military, I am

concerned that these proposed reforms do not address the full range of reforms that are currently being considered by the Department. I hope that our witnesses will be able to layout the strategic view for transforming the military for members of this committee—the big picture of where we are, where we want to be, and how we get there—is important if members are to understand the ultimate goal of this transformation.

In particular, I am interested in learning how the services' on-going reviews on component mix between active and reserves are coming along, and how they will fit into the proposed transformation. It would also be beneficial to understand how the services' review of active component distribution—moving from tail to tooth—will also impact transformation.

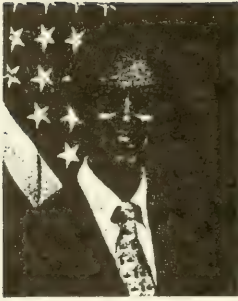
I am also interested in how the services plan to transform their forces without putting additional burdens on current troops. Just several years ago, we heard cries of resources being stretched thin, families being broken, difficulties in recruiting, and service members leaving for civilian life because of the increased operational and personnel tempo. Today, the force is busier than it has ever been since the first Persian Gulf conflict. In fact, the operational and personnel tempo has steadily increased to meet new mission requirements. Yet, the number of those in uniform has not been substantially increased to meet these additional challenges. Transforming the armed forces to meet the new challenges and requirements for the future is a noble and honorable goal. But, it cannot be done successfully if we end up breaking the backbone of the force—the men and women in uniform.

Mr. Chairman, I want to thank our witnesses for coming today. It is vital that we work together to ensure we continue to have the best-trained, best-equipped Armed Forces in the future, and I look forward to learning more about the Department's proposals to transform our military personnel programs to meet the current and future challenges of the 21st century.

Thank you, Mr. Chairman.

Prepared Statement
of
The Honorable David S. C. Chu
Under Secretary of Defense
(Personnel and Readiness)
Before the Total Force Subcommittee
House Armed Services Committee
March 13, 2003

Not for publication until released by the subcommittee



Biography
 Dr. David S. C. Chu
 Under Secretary of Defense
 for Personnel and Readiness

David S. C. Chu was sworn in as the Under Secretary of Defense for Personnel and Readiness on June 1, 2001. A Presidential appointee confirmed by the Senate, he is the Secretary's senior policy advisor on recruitment, career development, pay and benefits for 1.4 million active duty military personnel, 1.3 million Guard and Reserve personnel and 680,000 DoD civilians and is responsible for overseeing the state of military readiness.

The Under Secretary of Defense for Personnel and Readiness also oversees the \$15 billion Defense Health Program, Defense Commissaries and Exchanges with \$14.5 billion in annual sales, the Defense Education Activity which supports over 100,000 students, and the Defense Equal Opportunity Management Institute, the nation's largest equal opportunity training program.

Dr. Chu earlier served in government as the Director and then Assistant Secretary of Defense (Program Analysis and Evaluation) from May 1981 to January 1993. In that capacity, he advised the Secretary of Defense on the future size and structure of the armed forces, their equipment, and their preparation for crisis or conflict.

From 1978 to 1981, Dr. Chu served as the Assistant Director for National Security and International Affairs, Congressional Budget Office, providing advice to the Congress on the full range of national security and international economic issues.

Dr. Chu began his service to the nation in 1968 when he was commissioned in the Army and became an instructor at the U.S. Army Logistics Management Center, Fort Lee VA. He later served a tour of duty in the Republic of Vietnam, working in the Office of the Comptroller, Headquarters, 1st Logistical Command. He obtained the rank of captain and completed his service with the Army in 1970.

Prior to rejoining the Department of Defense, Dr. Chu served in several senior executive positions with RAND, including Director of the Arroyo Center, the Army's federally funded research and development center for studies and analysis and Director of RAND's Washington Office.

Dr. Chu received a Bachelor of Arts Degree, magna cum laude, in Economics and Mathematics from Yale University in 1964 and a Doctorate in Economics, also from Yale, in 1972. He is a fellow of the National Academy of Public Administration and a recipient of its National Public Senior Award. He holds the Department of Defense Medal for Distinguished Public service with silver palm.

INTRODUCTION

Mr. Chairman and members of this distinguished Subcommittee, thank you for the opportunity to be here today and thank you for your continuing support of the men and women who serve in our Armed Forces.

A recent Volker Commission report noted that "...agencies should be given substantial flexibility in the choice of subordinate organizational structure and personnel systems...these grants of authority would be defined by the President and subject to oversight by OMB and OPM as well as the Congress." Today, I will discuss a wide array of initiatives that do just that.

I will begin with the "Defense Transformation for the 21st Century Act of 2003" (DT-21), a proposal that is under review in the Administration. This four-part legislative proposal will change the way we manage people, acquisition processes, installations, and resources.

In DT-21, personnel changes are based on one concept: agility. Agility is our response to the extreme uncertainty of the national security environment. In obtaining that agility, we propose to change the processes by which we manage military and civilian personnel, even as we keep the value systems embodied in existing legislation including the Civil Service Reform Act. The values continue to be relevant, but the processes, many of them legislated, have not kept pace with national security realities.

Transforming Civilian Personnel

For civilians, the Department is considering a National Security Personnel System (NSPS) as a key part of our transformational agenda. We are working to promote a culture in the Defense Department that rewards unconventional thinking – a climate where people have freedom and flexibility to take risks and try new things. Most would agree that to win the global war on terror, our Armed Forces need to be flexible, light and agile – so they can respond quickly to sudden changes. Well, the same is true of the men and women who support them in the Department of Defense. They also need to be flexible, light and agile – so they can move money, shift people, and design and buy weapons quickly, and respond to sudden changes in our security environment. Today, we do not have that kind of agility.

The Congress has recognized these shortcomings by consistently advancing the cause of flexibility and competitiveness in DoD civilian human resources management. Congressional action paved the way twenty years ago for the groundbreaking work in pay banding at the Navy's China Lake facility, enacted the first federal program of separation buyouts that avoids the human and economic toll of reduction in force, authorized critical personnel demonstration projects in the defense acquisition workforce and in defense laboratories and centers, provided flexibility in paying for degrees, and created scholarships to attract, advance, and keep those with information assurance skills. These innovations and experiments over many years have demonstrated that a more flexible and collaborative system of human resources management, providing greater opportunity for employees and more responsibility for managers, can lead to higher productivity and improved morale that are critical to mission support. In a related action, the Congress recognized the need for much greater flexibility in the management of national security personnel in the enactment of the new Department of Homeland Security.

The Department now needs to fold these innovative pieces into a more joint, flexible, and expanded plan of civilian human resources management. The Department cannot continue to operate effectively or efficiently with the current fragmentation of civilian personnel management authorities. The National Security Personnel System will give the Department the flexibility to manage its civilian personnel – so we can attract and retain and improve the performance of our 700,000-plus civilian work force.

Transforming Military Personnel Management

Modernizing and streamlining officer management for both the Active and Reserve components is key to defense transformation. As with Department of Defense civilians, we need flexibility for our military personnel, and we need to be able to assure a prompt response to changing circumstances. We seek to accomplish this by modernizing and streamlining officer management, and creating a “continuum of service” in our Reserve Component.

General and Flag Officer Management

The Secretary of Defense has underscored the need for greater flexibility in managing job tenure and career length for general and flag officers with a view toward longer time in a job and longer careers. Present laws frequently operate against those objectives.

The current system rapidly rotates general and flag officers through their positions. Moving senior officials through career paths, as private sector organizations do, provides experiences that develop leadership and management skills. But officials must serve in these positions long enough to acquire these skills, to demonstrate their capabilities, and to manage the organization effectively. CEOs average more than eight years in a job and many serve more than

a decade. In contrast, the average tour length for the military senior leadership is between 22 and 31 months.

We are proposing several provisions that would allow longer tours and longer careers by eliminating mandatory retirement for time in service, time in grade, and age; mandatory time-in-grade requirements for retirement in grade; and mandatory tour lengths. We propose to eliminate the authorized general and flag officers serving in the grade of O-7 distribution cap to allow flexibility in filling O-7 and O-8 jobs. Other proposals would sanction the President's authority to immediately reassign senior general and flag officers, who were initially confirmed in grade, to another position authorized to carry the same grade.

Joint Officer Management

We are requesting several provisions to streamline joint officer management. The Secretary of Defense requires the authority to define the standards for joint tour lengths and have the discretion to recognize situations in which officers should receive full joint credit. We also require greater flexibility in assigning officers following graduation from joint education institutions. Another requested provision concerns lengths of joint officer duty assignments.

We are refining our strategic plan for joint officer management, education and training. As part of this effort, the Department is using an on-going, Congressionally mandated, Independent Study of Joint Management and Education to help evaluate and validate our ideas for transformation. The study will determine which processes have "added value," and which ones do not. Ultimately we look forward to working with Congress to strengthen joint management and training.

We are proposing now two modest changes: creating a single standard for achieving joint credit (i.e., 24 months); and eliminating the sequencing requirement for Professional Military Education (PME) and joint tours.

The Department is assessing the entire career continuum of officer education with the goal of reducing the amount of in-residence time required, maximizing viable advanced distributed learning (ADL) opportunities and integrating joint requirements. We want to train and develop our leaders like we fight—in a joint environment.

Measuring the Force

We believe there is a better way to manage and measure personnel strength. We propose to change the metric used to measure authorized force levels to average strength measured across the entire fiscal year, rather than reporting strength attainment on the last day of the fiscal year. Using average strength will improve visibility on the actual force manning and improve personnel readiness. A one-day reporting metric can conceal force shortfalls in the 364 days a year not captured in the end-year snapshot, and actually leads to inefficient management practices.

Recruiter Access to High Schools

Through coordination with the Department of Education, Congress included language requiring military recruiter access to high schools in the 2002 No Child Left Behind Education Act. Having the benefit of this coordinated Defense and Education emphasis on the importance of this issue has engendered profound improvement in the access our recruiters have received.

Currently, however, there is a disconnect between titles 10 and 20 that cause confusion among both recruiters and secondary schools as to what is actually required by law. Title 10 permits schools to deny access to high school student directory information if a school board policy restricts release; title 20 does not provide that exception for school districts. We would like to correct this conflict by making title 10 read as title 20 does, thereby allowing military recruiters access to all secondary school information unless the school maintains a bona fide, verifiable religious objection to service in the Armed Forces.

Continuum of Service

As we meet the challenges of today and the future, it is essential that the Reserve components be part of this transformation. Over the past year, my office has worked with other agencies inside and outside the Department to address contributions of the Guard and Reserve in both new and traditional roles and missions. The "Review of Reserve Component Contributions to the National Defense," establishes strategic principles to guide future structure and use of the Reserve components and proposes innovative management initiatives to meet the requirements.

A key element in transforming our military forces is to ensure efficiency and effectiveness in the use of our part-time reserve forces. There is a need for streamlined personnel management practices that offer greater flexibility in accessing and managing personnel throughout a military career that may span both active and reserve service — in other words, a career that spans a "continuum of service."

Levels of military service and mission support can vary substantially throughout a military career and between the extremes of non-participating individual Reservists and the 365 days per year performed by members serving on full-time active duty. We know some reserve

members are willing to serve more than the 39 days of training (drill periods and annual training) required in law, but less than full-time. This variable pool of Reservists could be more effectively managed to better support certain selected mission areas and functional requirements

Operating within a continuum of service paradigm necessitates simplifying the rules for employing Reserve Component members, enhancing combined Active Component/Reserve Component career development, and creating conditions for the seamless flow of personnel from active to reserve and reserve to active over the course of a military career. Barriers to such service must be minimized, thereby eliminating the need for the workaround solutions often in effect today. A more flexible reserve compensation and benefit system can serve to encourage volunteerism.

Managing within a continuum of service can help to attain and retain skills that are hard to acquire and maintain in the military, including those in cutting edge technologies. It will provide opportunities to establish new and innovative affiliation programs and DoD partnerships with industry. Adopting a new availability and service paradigm as the basis for managing active and reserve forces would allow individuals to change levels of participation with greater ease and better leverage the DoD investment in training and education to meet operational requirements.

Today the Department is limited to using Active Component forces to provide assistance to civil authorities during emergency situations. In an age of competing resource requirements, the Department would like to enable all Reserve Component members to assist local first responders in a domestic natural or manmade disaster, accident, or catastrophe. The Department

is reviewing the possibility of creating Service auxiliaries, based on the Coast Guard auxiliary model, to address potential personnel tempo problems.

Range Sustainment

A critical element to sustaining requisite force readiness levels is unimpeded access to test and training ranges. However, a number of encroachment issues expose our military personnel to increased combat risks as their ability to train as they expect to fight is compromised. These influences may be urban sprawl, loss of frequency spectrum, restrictions on air space, and endangered species- related restrictions on training lands. Loss or restricted use of combat training ranges and operating areas force units in all Services to use either less effective workarounds or in extreme cases to forego needed training altogether. Loss of radio frequency spectrum reduces the Department's ability to test new weapons, increasing program risk and potentially raising the cost of acquisition. Urban encroachment pressures around training areas inhibit development of new tactics to meet emerging threats, restrict altitudes for flight training, limit application of new weapons technologies, complicate night and all-weather training, and reduce live fire proficiency. Ranges in the southwest United States (for example, San Diego, Camp Pendleton, and San Clemente Island) are prime examples of how endangered species critical habitat designations, frequency spectrum restrictions, clean air compliance, maritime encroachment, and other externalities can cumulatively constrain the use of combat training ranges and operating areas. Such constraints force the Services to alter or compromise training regimens. This increasingly inhibits the ability to "train as we fight," eventually degrading combat readiness.

Solutions to this broad issue are being pursued through a variety of Department of Defense internal initiatives, interagency means, and Administration legislative proposals.

Ongoing DoD policy, organization, and programming changes support range sustainment efforts, with increased emphasis placed on outreach and stakeholder involvement to resolve encroachment issues. DoD is working with other federal agencies on regulatory or administrative solutions to issues that can be addressed without changing existing federal law.

In 2002, the Administration submitted the DoD Readiness and Range Preservation Initiative (RRPI) to Congress, which included eight legislative proposals that addressed a number of encroachment concerns. We are grateful to Congress for the three provisions enacted last year, including addressing the serious readiness concerns raised by the Migratory Bird Treaty Act. The Department of Defense intends to work with the Department of the Interior on a lasting solution to this Act's unintentional takes issue within the framework of Congress' temporary exemption provision. However, the other five elements of our Readiness and Range Preservation Initiative remain essential to range sustainment and will continue to be addressed. This year's RRPI continues to seek clarifications to aspects of the Marine Mammal Protection Act (MMPA), the Endangered Species Act (ESA), the Clean Air Act (CAA), and two solid waste management and disposal laws known as the Resource Conservation and Recovery Act (RCRA) and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). For example, the proposal to clarify the Endangered Species Act would enable our installation commanders to work more effectively with the U.S. Fish and Wildlife Service to continue to protect imperiled species without compromising military testing and training. My office will remain committed to working with stakeholders in this multi-year plan of action to develop viable solutions that appropriately balance our environmental stewardship and military readiness responsibilities.

We believe that this year is the appropriate time to implement the transformation initiatives I have just discussed. Our world has changed. As a consequence, people and personnel systems must be agile and responsive.

FORCE MANAGEMENT RISK BALANCED SCORECARD

There is much change being worked in Personnel and Readiness. As diverse as these efforts are, we have aligned outcomes associated with many of our efforts under the new Force Management Risk Balanced Scorecard. The Balanced Scorecard strategically aligns our personnel management objectives, the variety of current and planned research efforts, human capital plans, and policy revisions within Personnel and Readiness under five major goals. These goals include: maintain a quality workforce; ensure a sustainable military tempo; maintain workforce satisfaction; maintain reasonable costs; and shape the force of the future. Our goals focus on accomplishing the initiatives set forth in the President's Management Agenda, with particular emphasis, of course, on the Strategic Management of Human Capital initiative. The Balanced Scorecard will allow us to track progress toward short- and long-term objectives like meeting high quality recruit goals, commitment of members and spouses to the military lifestyle; costs per enrollee for health care; transforming training; shortening the civilian hire fill time; and implementing the new Active Component/Reserve Component management paradigm. In turn, the Force Management Risk Balanced Scorecard serves as one quadrant of four risk areas within a Secretary of Defense Instrument Panel of metrics that will be used to balance Force Management risks, Operational and Institutional risks, as well as Future Challenges across the Department. This is an ambitious charter, but we are committed to this strategic course.

MILITARY PERSONNEL

Last year the Department presented a comprehensive Human Resource Strategic Plan. With direction from the Quadrennial Defense Review and Defense Planning Guidance, we collaborated with the Secretaries of the Military Departments and the component heads to develop a strategic human resource plan that encompasses military, civilian, and contractor personnel. The plan identified the tools necessary to shape and size the force, to provide adequate numbers of high-quality, skilled and professionally developed people, and to facilitate a seamless flow of personnel between the active and reserve forces.

The Department continues to refine the Human Resources Strategy designed to provide the military force necessary to support our national defense strategy. We face an increasingly challenging task to recruit, train, and retain people with the broad skills and good judgment needed to address the dynamic challenges of the 21st century, and we must do this in a competitive human capital environment. Consequently, we seek a mix of policies, programs, and legislation to ensure that the right number of military personnel have the requisite skills and abilities to execute assigned missions effectively and efficiently.

End Strength

At the end of Fiscal Year (FY) 2003, the Department of Defense as a whole exceeded its end strength target for the active and reserve forces by approximately 31,400 service members, or 2.3 percent. This was due to the number of personnel still in Stop-Loss status at the end of the fiscal year.

The requested active duty military end strength for FY 2004, as reported in the Service budget submissions, show a net decrease of 1,600 spaces from the FY 2003 authorization. The Army continues at an end strength of 480,000; the Navy projects a decrease of 1,900 from 375,700 to 373,800; the Marine Corps remains steady at 175,000; and the Air Force increases slightly from 359,000 to 359,300.

The fiscal year 2004 Defense budget recognizes the essential role of the Reserve components in meeting the requirements of the National Military Strategy. It provides \$31.3 billion for Reserve component personnel, operations, maintenance, military construction, and procurement accounts, which is approximately 1% above the fiscal year 2003 appropriated level.

Significantly, this is only 8.2% of the overall DoD budget, which represents a great return on investment. Included are funding increases to support full-time and part-time personnel, and the required sustainment of operations. It also continues last year's effort toward Reserve Component equipment modernization and interoperability in support of the Total Force policy.

These funds support nearly 863,300 Selected Reserve personnel. The Selected Reserve consists of the following: Army National Guard 350,000, Army Reserve 205,000; Naval Reserve 85,900, Marine Corps Reserve 39,600, Air National Guard 107,000, and Air Force Reserve 75,800, Coast Guard Reserve 10,000 (funded by DOT). Our total Ready Reserve, which also includes the Coast Guard Reserve, Individual Ready Reserve and Inactive National Guard is 1,190,009 personnel.

Maintaining the integrated capabilities of One Force is key to successfully achieving the Defense policy goals of assuring allies, dissuading military competition, deterring threats against U.S. interests, and decisively defeating adversaries. Only a well-balanced, seamlessly integrated military force is capable of dominating opponents across the full range of military operations.

DoD will continue to optimize the effectiveness of its Reserve forces by adapting existing capabilities to new circumstances and threats, and developing new capabilities needed to meet new challenges to our national security.

The Reserve Components exceeded their 2002 recruiting and strength goals in spite of market challenges. The success the Reserve Components experienced in achieving end strength was a combination of recruiting successes and excellent retention in most components (only the Army National Guard exceeded its programmed losses). Although limited Stop-Loss will assist in managing departures, the Reserve Components will continue to optimize use of retention incentives while sustaining their recruiting efforts.

Stop-Loss

Stop-Loss is the involuntary extension on active duty of Service members beyond their date of separation in times of war or national emergency when the need arises to maintain the trained manpower resident in the military departments. During FY 2002, 5,800 personnel were effected by the Stop-Loss. For officers, the Army continued a limited program impacting only pilots and special operations officers. Affected Navy officers include the special operations community, limited duty security officers, physicians in certain specialties and the nurse corps. In addition to C-130 aviators and infantry officers, the Marine Corps expanded their program to include the newly formed Anti-terrorism Brigade. The Air Force released all members from Stop-Loss over the course of the year.

For the enlisted forces, the Army implemented a limited skill-based program in increments. The initial increment included soldiers primarily assigned in Special Forces specialties; the second increment expanded the program to include Ready Reserve personnel in

the same specialties already stopped in the active force and added three additional specialties (enlisted and officer psychological operations, and enlisted supply and services) to the program. The Army released certain skills throughout the year and adjusted its policy from an indefinite hold to a 12 month maximum time period. The Army is currently working on the details of lifting more skills from Stop-Loss.

The Navy enlisted program affected sailors in five different specialties deemed critical to current operations, including SEALs, special warfare combatant craft crewman, explosive ordnance disposal specialists, and certain linguists. The Navy ended their program in August and all affected sailors were released by the end of 2002.

The Marine Corps implemented an incremental program that coincided with current operations that the Marine Corps was tasked to support. The first increment addressed Marines assigned to Marine Forces Atlantic, as they were needed to staff the anti-terrorism brigade. The second increment included Marines assigned to C-130 aircrew positions across the Corps. The third increment was used to meet force protection requirements.

The initial Air Force program applied to all enlisted skills. As with its officer program, the Air Force released all enlisted specialties from the program.

FY 2003 Stop-Loss programs brought about new programs in light of the continuing war on terrorism, as well as the build up for a possible war with Iraq.

Service	Stop-Loss Plan
Marine Corps	<ul style="list-style-type: none"> • Applies to entire Corps and addresses growing number of units already engaged in operations • Provides stabilization of units while potential operational demands of an Iraqi scenario are evaluated.
Army	<ul style="list-style-type: none"> • Focuses exclusively on members of units alerted for deployment. This approach places a premium on unit cohesion and trained teams • Incrementally executed only for Army forces in Southwest Asia.
Air Force	<ul style="list-style-type: none"> • Ensures units remain adequately manned for all current and future operational requirements. • Applied to most stressed officer and enlisted specialties. Specialties will be evaluated every 60 days to align force mix to identified operational demands.
Navy	<ul style="list-style-type: none"> • No plan to use at this time.

While the Services have used Stop-Loss authority to some degree during the past year, the Department expects this ebb and flow of specialties and the use of the program to insure unit cohesion and enhanced readiness to be included in the Service Stop-Loss programs to continue until appropriate force manning adjustments are achieved.

Conscription

There has been some debate recently about this Nation returning to conscription. Throughout most of American history, our military has been composed of volunteers. However,

conscription was the primary means of obtaining sufficient numbers of military personnel during World Wars I and II and the Korean Conflict, to the point that its renewal became perfunctory. In the late 1960s, a presidential commission studied how best to procure military manpower – retain the draft or institute a volunteer military. After much debate within the Administration, the Congress, and across the country, it was decided that an All-Volunteer Force was feasible, affordable, and would enhance the Nation's security. The debate concluded that, under a draft in which not all served, it was inequitable for only some to bear the burden and responsibility of military service. Thus, the authority for conscription was allowed to lapse on July 1, 1973.

The All-Volunteer Force has served the Nation for more than a quarter century, providing a highly effective military that continues to exceed the expectations of its framers. It has also proven more cost-effective than a conscripted force according to many studies, including an external review by the Congressional auditing arm, the U.S. General Accounting Office. The Department respectfully seeks your support to ensure that our fighting force comprises individuals who have voluntarily made the decision to defend this Nation

Recruiting

We are optimistic that all active Services will achieve their recruiting goals this fiscal year. Through November 2002, all Services were ahead of their year to date recruiting goals as they entered FY 2003 with a sizable delayed entry program. The Department, however, will continue to face stiff competition for high-quality youth from both private sector industry and colleges.

Expanding the Target Market

The Department continues to identify ways to expand our target market. Of particular interest this year is the new short-term enlistment option offered in the National Defense Authorization Act for FY 2003. This program, the National Call to Service, is designed to promote national service. This is in keeping with the increased awareness of the value of service to the nation, as highlighted by the President's USA Freedom Corps initiative. It allows the Services to enlist high-quality young men and women for 15 months of active duty following initial entry training, with a two-year Selected Reserve obligation after that active duty. Uniquely, this program allows participants to serve a portion of their eight-year service obligation in another national service program, such as Americorps or the Peace Corps. We hope that this program will expand the recruiting market to young Americans interested in alternatives to more traditional terms of enlistment.

Today, nearly two-thirds of high school seniors enroll in college immediately after graduation. Enlistment often is viewed as an impediment to further education. To address this trend, the Army launched its "College First" test program in February 2000. This program is designed to identify better ways to penetrate the college-oriented market. In FY 2002, the Army had over 600 program participants. We appreciate Congressional support of "College First" in permitting increases in the monthly stipend, authorizing a loan repayment incentive option, and allowing a recoupment clause for those who default on their "College First" responsibilities. These program improvements should make the "College First" program more viable, and we hope that Congress will remain open to further changes that will enhance the program's chance of success.

In addition to targeting the college market, we have several on-going pilot programs designed to tap the high aptitude, non-high school diploma graduate market. The National Defense Authorization Act for FY 1999 directed a five-year project to attract more home schooled graduates and ChalleNGe-GED holders to the military by treating them as high school diploma graduates for enlistment purposes. Early analysis indicates that results in those experiments are mixed. As the sample size continues to increase throughout the pilot test, we will assess the military performance and attrition behavior of the home schooled and ChalleNGe recruits to determine their appropriate enlistment priority.

The Army will continue the GED Plus test program in FY 2003. This program provides for up to 4,000 individuals who left high school before obtaining their diploma with an opportunity to earn a GED and enlist in the military. GED Plus applicants have to meet stricter screening criteria than high school diploma graduate applicants. They must all be Armed Forces Qualification Test score category I-III A (top fiftieth percentile), they must score well on an Assessment of Individual Motivation (AIM) test (which is correlated to attrition), and they cannot require a waiver for morals or drug and alcohol. Because GED Plus graduates are required to have above average enlistment test scores, job performance should not be adversely affected. The GED Plus program is scheduled for completion in FY 2004..

Fiscal Year 2002 Enlisted Recruiting Results

During FY 2002, the Military Services recruited 259,290 first-term enlistees and an additional 84,312 individuals with previous military service for a total of 343,602 recruits, attaining 104 percent of the DoD goal of 331,622 accessions. All Active and Reserve Components achieved their numeric goals.

The quality of new recruits remained high in FY 2002.¹ DoD-wide, 93 percent of new recruits were high school diploma graduates (against a goal of 90 percent) and 68 percent scored above average on the Armed Forces Qualification Test (versus a desired minimum of 60 percent).

The Montgomery GI Bill continues to be an extremely popular recruiting incentive. Over 96 percent of all new accessions enroll in this program which provides over \$35,000 in benefits to a new active duty recruit in return for a \$1,200 contribution from current pay. An additional option allows a Service member an opportunity to contribute up to an additional \$600 in return for \$5,400 of potential benefits over a 36-month period. The Department continues to view the MGIB as one of our Nation's best investment programs – a military recruiting tool for the Services today, and a more educated veteran for our country in the future.

Fiscal Year 2003 Year-to-Date Results

Through the first quarter of this fiscal year (October to December 2002), the Services achieved 99 percent of their "shipping mission," enlisting 71,194 young men and women. All Active Components met or exceeded their first quarter goals. The Reserve Components achieved 97 percent of their first quarter mission, with the Army National Guard achieving 86 percent. It is too early to determine if the Army National Guard shortfall is an anomaly or a trend; but plans are already in place to monitor it. Overall, recruit quality in both the Active and Reserve Components remains high.

Unlike the Active Component, the Reserve Components do not routinely contract recruits for accession into a future period. So, while the Active Components entered FY 2003 with

¹ Although the Army National Guard and Naval Reserve fell short of the desired high school diploma graduate (HSDG) rate.

healthy delayed entry programs, the Reserve Components must recruit their entire goal in this current fiscal year. The recruiting goals for FY 2003 are higher for four of the six Reserve Components, with a total Reserve Component recruiting goal of 141,450 (a 3.8 percent increase over the FY 2002 goal).

The trend of increasing the percentage of Reserve Component recruits without prior military service continues. Approximately 50 percent are now expected to come from civilian life. This is a result of high Active Component retention and lower Individual Ready Reserve populations.

For 2003, all Reserve components are continuing to focus their efforts on maintaining aggressive enlistment programs by targeting both enlistment and re-enlistment incentives in critical skill areas. Emphasis will be placed on the prior service market for both officers and enlisted personnel. The Reserve components will expand their efforts to contact personnel who are planning to separate from the Active component long before their scheduled separation and educate them on the opportunities available in the Guard and Reserve. In addition, the Reserve components will increase their efforts to manage departures.

Officer Programs

All Services met their numerical commissioning requirements in FY 2002. However, both the Navy and Air Force continued to experience shortfalls in certain specialties, usually those that require a specific educational background. The Navy missed its goals for pilots, naval flight officers, civil engineers, chaplains, and most medical and medical support specialties. The Air Force was short navigators, intelligence officers, weather officers, physicists, and engineers. Many of these career fields offer higher pay and more opportunity in the civilian workforce.

Also, these career fields are academically challenging and it takes more people on scholarships to produce just one graduate. Both Services have faced this problem for the past several years and continue to utilize the various incentives available, such as scholarship for specific degree programs, to ensure they attract enough individuals with the required prerequisites.

Overall in FY 2002, the Reserve Components achieved over 97 percent of their officer accession goals. The Services continue to work on reducing shortfalls in the reserve officer ranks through emphasis on both recruiting and retention.

Active duty officer accessions are on track in all Services for numerical success this year, but the Navy and Air Force continue to pay special attention to the specialty mix.

Retention

Retention results for 2002 were strong and the positive trends continue. Each service met or exceeded its aggregate retention goals. The improved result for all Services is due importantly to strong retention programs, including the targeted pay raises Congress has approved in the last two years.

The enlisted retention outlook for FY 2003 is good, although the full effects of Stop-Loss are yet to be felt. For example, some Service members previously affected by Stop-Loss, who had planned to separate may decide to reenlist; while others who had planned to extend their tours of duty may not want to be involuntarily extended again under a future Stop-Loss program.

Despite success in meeting the numeric goals, shortages in a number of technical enlisted specialties persist in all Services. Examples of shortage skills include special operations, aviation maintenance, information technology specialists, electronics technicians, intelligence

linguists, and air traffic controllers. We will continue to depend on judicious use of bonuses and special pays to achieve desired retention levels in these skills. The Army is targeting experienced noncommissioned officers with special operations skills with the Critical Skills Retention Bonus (CSRB) program.

Officer retention challenges from FY 2002 are expected to continue into FY 2003. This primarily involves career fields whose technical and scientific skills are easily transferable to the private sector. The Army, Navy and Air Force are banking on the CSRB Program, enacted by the Congress in the National Defense Authorization Act for FY 2001, to help improve retention in targeted critical skills. But appropriations for these bonuses were cut in the past two years. We hope the Congress will support these important investments this year. Targeted skills include: developmental engineers, scientific/research specialists, acquisition program managers, communication-information systems officers, civil engineers, surface warfare and submarine support officers, and designated health professionals across all the Services.

Compensation

Attracting and retaining high caliber individuals for a trained and ready All-Volunteer Force requires a robust, competitive and flexible compensation system. In addition to basic pay, compensation includes all pays and allowances, such as housing and subsistence allowances, and special and incentive pays.

Targeted pay raises are needed because increased educational attainment on the part of the enlisted force has made the existing military pay structure less competitive. We appreciate the Congress' direction on the 2002 and 2003 pay raises to target additional raises for NCOs, as

well as mid-level officers. We recommend the Congress adopt our proposed targeted pay raises for our mid-level and senior NCOs and warrant officers for FY 2004.

In addition to maintaining efforts to achieve competitive pay tables, the Department recommends continuing to increase military housing allowances significantly, with the goal of eliminating average out-of-pocket costs by 2005. Building on the current year's increases, the FY 2004 budget requests further improvements in the allowance, reducing the average out-of-pocket costs from 7.5 to 3.5 percent.

In January 2002, the Department implemented a new authority provided by Congress to allow the uniformed forces to participate in the Thrift Savings Plan (TSP). This opportunity represents a major initiative to improve the quality of life for our Service members and their families, as well as becoming an important tool in our retention efforts. In its first year of operation, TSP attracted nearly 303,000 enrollees, 241,000 active duty and 62,000 guard and reserve members. The Department projected that 10 percent of active duty members would enroll in the first year; in fact, we had 17 percent sign up, exceeding our expectations.

The National Defense Authorization Act for FY 2003 provided a new Combat-Related Special Compensation for military retirees with combat-related disabilities. Eligible recipients are those retirees who have 20 years of service for retired pay computation and who either have disabilities because of combat injuries for which they have been awarded the Purple Heart or who are rated at least 60 percent disabled because of armed conflict, hazardous duty, training exercises, or mishaps involving military equipment. We are working closely with the Department of Veterans Affairs to identify potentially eligible members and establish and implement application procedures and requirements. We intend to have applications and

instructions available by late spring so eligible retirees can begin applying. The retiree newsletters for each branch of Service should provide the first information about when and where eligible retirees may submit claims for compensation. We will keep the Service-related associations and other appropriate organizations informed as well.

In 2003, we are examining compensation programs for Reserve component members. The current and anticipated military environments require employment of Reserve forces in ways not imagined when current compensation programs were designed. Current thresholds for housing allowances, per diem, some special skill and duty pays, and a range of benefits may not fully support the manner in which Reserve component members may be employed in the future. Compensation programs must be sufficient to attract and retain capabilities to meet continuous, surge and infrequent requirements. As we examine options and formulate alternatives, we will adjust DoD regulations and include proposed statutory changes as part of the Department's legislative program.

Managing Time Away From Home (PERSTEMPO)

Although the provisions of law that require specific management oversight, tracking and payment of PERSTEMPO per diem have been waived during the current national emergency, the Services are continuing to track and report PERSTEMPO data. We understand the effects of excessive time away from home on the morale, quality of life and, ultimately, the readiness of Service members even during wartime conditions. That is why we have asked the Services to continue efforts to improve their data tracking

and to explore ways to further reduce PERSTEMPO while still meeting mission objectives.

Despite our best efforts, however, a number of specialties in each Service will continue to experience high deployment rates until we can fully adjust our force structure, force stationing and deployment practices. We are recommending changes to the current law that provide a better way to manage this challenge and compensate the individuals affected. The proposal would replace the current \$100 High Deployment Per Diem with a progressive monthly High Deployment Allowance (HDA), authorize the Services to compensate members for excessive deployments based upon the duration as well as the frequency of their deployments, and set the statutory limit for HDA at \$1,000 per month.

Training Transformation

Our ability to successfully defend our nation's interests relies heavily upon a military capable of adapting to rapidly changing situations, ill-defined threats, and a growing need to operate across a broad spectrum of missions. The Services have been highly successful for many years by possessing a training superiority over all real and potential adversaries. We intend to maintain that critical edge in the future by continuing to move our training methods and capabilities beyond those of the Cold War. We will no longer simply deconflict or synchronize unique Service war-fighting instruments, but rather integrate them into a single, focused capability. We will also expand "jointness" beyond the Services and into intergovernmental, interagency, and coalition realms so that, as Secretary Rumsfeld has so often noted, "we train like we fight and fight like we train."

Transformed training is a key enabler to transforming this fighting force. DoD plans to link joint training and readiness assessments and reporting through the Defense Readiness

Reporting System (DRRS) and continue development of a core on-line curriculum for expanded access to Joint Military Education and training. Our offices will also review and update acquisition and maintenance policies, plans, programs, and procedures related to training to include embedded training in operational systems.

As we have witnessed in the skies above and on the ground within Afghanistan during Operation Enduring Freedom, it is not easy to plan and execute complex combat operations when the Services have not fully trained in accomplishing those tasks. We are committed to meeting joint mission requirements of our Regional Combatant Commanders and must ensure that Headquarters and Component staffs deploying to a combatant command are fully trained to joint standards and in the concepts of network-centric warfare. The Department of Defense is implementing its Strategic Plan to transform training, with the establishment of a Joint National Training Capability by October 2004 as a key component. The U.S. Joint Forces Command will work with the Military Services and Joint Staff to achieve a realistic, global combat training and mission rehearsal capability that incorporates interagency, intergovernmental, and coalition partners. Our focus is to better enable joint operations so that we never conduct an operation for the first time in combat.

Readiness Assessment and Reporting

We are currently in the process of transforming how we report and assess the readiness of our forces to meet the challenges of today's defense environment. Our new Defense Readiness Reporting System (DRRS), is an output focused, near-real time assessment system that measures the capabilities of our military units, defense agencies, and supporting infrastructure to perform their assigned missions. We have already established the policy and direction, and are now developing the methodologies and analytic tools to enable rapid readiness evaluation and risk

assessment across the entire Defense enterprise. DRRS builds upon the best characteristics of our current readiness systems, and uses information technology to capture key transactional data from our personnel and equipment management systems. DRRS uses modeling and simulation to test the feasibility of our operational plans, and helps to frame the significant risk and planning issues. We expect to have an initial capability for DRRS in late 2004, with a fully operational system by 2007.

QUALITY OF LIFE

A partnership exists between the American people and the military community that is built on the understanding that both Service members and their families are vital to the readiness and strength of our Armed Forces. Today, over 60 percent of today's military Service members have family responsibilities, necessitating a firm commitment to underwrite family support. President Bush has repeatedly stressed the need to improve the quality of life of our men and women in uniform, and in one of his first presidential directives upon taking office, he asked the Secretary of Defense to "undertake a review of measures for improving Quality of Life for our military personnel." The sentiment was later echoed in the 2001 Quadrennial Defense Review, which declared that the Department "must forge a new compact with its war fighters, and those who support them."

The fruit yielded by those early instructions is the new Social Compact, an ambitious review and long term plan for quality of life programs that renews the Department's commitment to our Service men and women and their families. Unprecedented in its scope, the Social Compact is built on the input from each of the Services as well as the Office of the Secretary of

Defense. It seeks to address the issues of greatest importance in the lives of our Service members and their families.

As we move forward, the Military Departments will improve family support to meet the needs of the changing demographics of the force, with specific emphasis given to meeting the needs of the off-base population and Reserve Components families. Delivery of services and information by exploiting technology will be a priority. Further, today's issues of spousal careers and quality education for military children are family concerns of high importance.

Family Assistance/Toll Free

When our Service members deploy around the world, whether to Afghanistan, Iraq, or one of numerous other posts, their families on the home front are first and foremost in their thoughts. They want to know how the family is getting along, how the kids are doing in school, if the bills are being paid, and if there's someone to lend a hand when problems arise.

With the majority of the force having family responsibilities, we must ensure that the families have the support and assistance they need when they need it, or our war-fighters might arrive on the battlefield distracted by concerns for the welfare of their loved ones. This is not an acceptable risk. That is why we must reach out to every military family, be they active duty, reserve or National Guard. We want every Service member to have a lifeline to support and assistance and to know that the same is available to his or her family. Someone they can call on, day or night, who will help them solve the crises they often face alone.

We have begun implementation of a toll-free 24 hour, 7 day a week family assistance service. This service puts families and Service members in contact with experienced,

professional counselors who can provide immediate assistance with issues ranging from parenting and child care to financial counseling to how to find a plumber at midnight. Ultimately, this service will provide all of our Service members and families with immediate information on support available on the installation or in their community. This will include, among a range of services: child care, domestic violence prevention and family advocacy, educational opportunities, and spouse employment resources.

Domestic Violence

The Department continues to make significant progress in addressing the issue of domestic violence within military families. We have reviewed two reports from the Defense Task Force on Domestic Violence and anticipate receipt of the final report shortly. We fully support more than three quarters of the recommendations, and anticipate that we will support 90 percent of them when we have completed studying a few issues. We have created an implementation team that is working to ensure that these Task Force recommendations are incorporated into DoD policy. The Task Force is preparing key response and intervention protocols for law enforcement and commanders and we are preparing to implement these in Service training programs. To improve DoD's response to domestic violence in the community, the Department will develop a confidentiality policy to protect appropriate communications.

The Army reviewed the domestic violence tragedies at Fort Bragg and identified some policies and practices that may need changing. The Department is looking at which of these apply to all Services, and if so they will be changed in the implementation process.

Family Support and Spouse Employment

There is a symbiotic link between family readiness and force readiness. We have worked hard this past year to reinforce the family and personal readiness posture of the Active and Reserve Component members.

We continue to support the families of military personnel involved in Operation Enduring Freedom. This includes deployment support programs for spouses, children, parents and extended family whose loved one has deployed as part of the global war on terrorism. In anticipation of a major contingency, DoD established a working group with representatives from all Active and Reserve Components and several Defense agencies. The purpose of the group is to assess the family support capability of each organization and make recommendations to strengthen programs and services for the families. As a result, we issued comprehensive guidance to reinforce the importance of family support, focus on specific areas based on proven practices, and encourage creative responses to new challenges. Most important, the family support strategy is One Force-based, which is critical to overall success.

We know that providing accurate information is the most supportive effort we can make to assist families. As a result, we are making maximum use of websites to communicate important information to families affected by deployment and family separation. Each of the Military Services and the office of Reserve Affairs have established comprehensive and effective websites to support the families as well. The most popular of these pages attract over two million hits per quarter. We are also using other technologies, such as e-mail, to help maintain contact between deployed Service members and their families. Our goal is to ensure that every family of a deployed Service member has direct access to the support and services they need.

Our "Guide to Reserve Family Member Benefits" is designed to inform family members about military benefits and entitlements, including medical and dental care, commissary and exchange privileges, military pay and allowances, and reemployment rights of the service member. Additionally, a Family Readiness Event Schedule was developed to make training events and opportunities more accessible for family support volunteers and professionals. It also serves to foster cross-Service and cross-component family support, which supports the desired end-state of any service member or family member being able to go to a family support organization of any Service or component and receive assistance or information.

The family readiness "tool kit" is available to assist commanders, service members, family members and family program managers with pre-deployment and mobilization information.

At the same time, long-range recruiting and retention roles continue to drive family readiness programs such as spouse employment. Recent initiatives, like the Navy's partnership with an international staffing firm and entrepreneurial initiatives focused on virtual business opportunities, have begun to yield significant results in terms of spouse employment and spouse morale. In addition, new measurement strategies at the installation and national level promise better, real-time assessment and analysis of spouse employment program effectiveness.

Financial well-being of military families is seen as a critical part of the Department's new Social Compact. The Military Services have provided financial training and counseling services to aid military families in using their resources wisely. However, we have found that our junior enlisted Service members and families continue to experience financial problems in larger numbers than their civilian counterparts. As a result, the Department is engaging in a financial literacy campaign focused on improving financial management abilities and changing behavior

to improve resource management for current and future needs. The primary market for this campaign will be the junior enlisted member and the spouse, who though often the primary financial manager for the family, may not have received any guidance in managing home finances. Several federal agencies and non-profit organizations have pledged their support to accomplish these goals through the financial literacy campaign. Their participation will enhance our expertise and also provide an avenue for the American public to support its troops.

Employer Support

A Guard and Reserve Employer Database was established in late 2001 to enable the Department and others to communicate directly with employers on appropriate Reserve component issues. In addition to the Department's need for employer information, military leadership continues to express interest in the civilian-acquired skills and joint operations experience of Guard and Reserve members. Building employer support requires a strong network comprised of both military and civilian-employer leaders, capable of providing communication, education and exchange of information. Employers need to understand their legal requirements for Guard and Reserve employees and also the importance of the Reserve components' contribution to our national defense.

Since most Reserve component members have a full-time civilian job in addition to their military duties, civilian employer support is a major quality of life factor. The Department recognizes the positive impact employer support has on Reserve component readiness, recruiting and retention, and accomplishment of the Department's missions. The National Committee for Employer Support of the Guard and Reserve (ESGR) is charged with enhancing employer support and coordinating the efforts of a community based national network of 55 committees

consisting of 4,200 volunteers in every state, the District of Columbia, Europe, Guam, Puerto Rico and the Virgin Islands to meet their important requirement.

ESGR has greatly expanded its "Statement of Support" Program in the past year, which highlights the public signing by an employer of a statement pledging to publish and implement personnel policies supportive of employee service in the National Guard and Reserve. Forty-four Governors have signed Statements of Support and two more are scheduled to sign very soon. Many nationally known companies have also signed Statements of Support and hundreds of small and mid-sized companies, communities, and local chambers of commerce have also publicly signed ESGR Statements of Support in the past year.

Child and Youth Development

Affordable, quality child care remains one of the most pressing and persistent needs of families throughout the Department. The Department considers child care to be a workforce issue with direct impact on the effectiveness and readiness of the force. The FY 2004 budget request continues to maintain child development programs at over 300 locations with 900 child development centers and over 9,200 family child care homes. Even with this vast system of support, we still project a need for an additional 40,000 spaces. Expansion efforts are continuing.

As contingency operations increase, Services are customizing and expanding child care programs to meet specific mission requirements. Various installations offer extended hours care, care for mildly ill children, and child care so that both service members and spouses can attend deployment briefings.

Partnerships with other agencies have really paid off for our youth. One example is the dynamic collaboration with Boys & Girls Clubs of America. DoD youth programs benefited from expanded scholarships opportunities and marketing initiatives. Program upgrades of computer centers allow youth and children to stay in touch with a mom or dad deployed many miles away. To address the concerns of youth at risk, we improved the Military Teens on the Move website for youth relocation issues and deployed the Community Assessment for Youth tool to assess community issues and to assist commanders to find solutions.

Educational Opportunities

With the support of Congress, last year the Department provided \$30 million to heavily impacted school districts serving military dependent students and an additional \$3.5 million to eligible school districts to reduce the cost of providing services to military children with severe disabilities.

The Department has reached out to public school districts and state education authorities to engage them in helping ensure military dependent students receive a quality education. We have asked districts to share best practices with one another to help eliminate problems experienced by children of military personnel who are forced to change schools frequently due to the reassignment of the parent or guardian. Within the last two years we have brought together over 300 students, parents, military leaders, school personnel and state policy makers to address and give visibility to these issues which affect about 600,000 children. We will soon activate a website that will provide information to help make transfers smoother.

Once we begin the base realignment process, a careful look at the quality of life of civilian communities where our military families live is warranted. We owe children a good

education no matter where their parents may serve, as well as good child care, homes, and spousal career opportunities. It will be important to tie base closure and realignment discussions to the quality of life in the local community.

The Department continues to operate one of the nation's largest post-secondary education programs. Service members' participation in the off-duty voluntary education program remains strong with annual enrollments exceeding 600,000 courses. Last year, Service members were awarded over 30,000 higher education degrees by hundreds of colleges and universities. Policy increasing tuition assistance became effective October 1, 2002. New levels of support virtually eliminate Service members' out-of-pocket costs for earning a degree. Army, Air Force and Marine Corps have implemented the new policy. Navy has indicated it has insufficient funds to implement the policy and has restricted sailors to a maximum of 12 credits for which tuition assistance has been authorized.

RESERVE MOBILIZATION AND TRAINING

Reserve forces continue to exhibit their willingness and preparedness to support the One Force during rapid mobilizations and deployments in the various ongoing contingencies and emerging operations around the globe. In addition to the traditional methods of employing reserve forces, the Department has engaged in some visionary new projects that have expanded the capabilities to support combatant commanders virtually.

We are in the midst of one of the longest periods of mobilization in our history. The men and women of the National Guard and Reserve have responded promptly and are performing their duties, as the Nation requires. For the past 18 months, we have mobilized over 230,000 Reserve personnel, who are performing and have performed magnificently throughout the world. We are managing these call-ups in a prudent and judicious manner, assuring fair and equitable treatment as we continue to rely on these citizen-soldiers.

As of 7 March 2003, there are 178,886 mobilized under 10 USC (12302).

- Army National Guard (ARNG): 67,652
- Army Reserve (USAR): 60,764
- Air National Guard (ANG): 12,762
- Air Force Reserve (USAFR): 10,957
- Navy Reserve (USNR): 8,005
- Marine Corps Reserve (USMCR): 15,798
- Coast Guard Reserve (USCGR): 2,948

Support to Mobilized Reservists

Taking care of our mobilized Guard and Reserve members and their families is a top priority for the Department. While we can draw on our experience from past call-ups, we

continue to examine our policies and programs to ensure that our mobilized Reservists do not feel disenfranchised and that we have systems in place that support families.

Screening and Key Employee Exemption Process

To preclude conflicts between Ready Reserve members' military mobilization obligations and their civilian employment requirements during times of war or national emergency, the Department conducts a "screening" program to ensure the availability of Ready Reservists for mobilization. Once a mobilization is declared, all screening activities cease and all Ready Reserve members are considered immediately available for Active Duty service. At this time, no deferments, delays, or exemptions from mobilization are granted because of civilian employment.

However, due to the unique situation that was created by the events of September 11th, the Department immediately recognized that certain federal and non-federal civilian employees were critically needed in their civilian occupations in response to the terrorist attacks on the World Trade Center and Pentagon. Accordingly, the Department established a special exemption process to help accommodate overall national security efforts.

We are developing new policies that would require members of the Ready Reserve, especially the Selected Reserve, to provide the Department with limited information about their civilian employers. Having employer information will not only assist us in improving our employer outreach programs, but more importantly, it will provide a better understanding during mobilization planning of the impact mobilizations will have on local communities and industries. The need for better employer-related information is a priority for us in the new threat environment we are facing. Additionally, obtaining accurate and current employer information

is critical for the Department to comply with our statutory responsibilities for continuous screening of Reserve units and individuals.

Training

Training is a fundamental pillar of readiness and Reserve Component issues and concerns must be addressed as an *integral* part of defense training – specifically that Reserve Component training issues must be developed concurrently with active issues and included in new training transformation initiatives. We have made a concerted effort to ensure that the unique requirements of our Reservists are highlighted and given every consideration as we implement Reserve Component training under a One Force approach. This approach will continue to pay great dividends, not only for the Reserve Component, but for the entire force as the Reserve Components blaze the trail for distributed learning and other “virtual” approaches.

In the past year, we’ve experienced some very exciting developments in the training environment that will leverage use of new technologies to “just in time” training, and training oriented to improved job performance. This focus on distributed learning strategies and employing more robust communications tools will continue to pay great dividends for the Total Force. The National Defense Authorization Act for FY 2002 included changes that allow the Reserve components to receive compensation for completion of electronic distributed learning, adding significantly to the opportunities of our personnel to embrace these concepts. We are undertaking a study to develop policy recommendations for the implementation of a Department-wide compensation policy for the completion of training required by individual Services. These new and emerging technologies provide exciting training opportunities across all components – not just the Reserve Component. .

MODERNIZING CIVILIAN PERSONNEL MANAGEMENT

On September 27, 2002, the Department completed deployment of the modern Defense Civilian Personnel Data System (DCPDS), DoD's enterprise civilian human resources information system. With the final deployment, the system reached full operational capability, and has now been fielded to all DoD civilian human resources (HR) Regional Service Centers and Customer Support Units. The system supports over 800,000 civilian employees in the Department worldwide, including appropriated fund, non-appropriated fund, demonstration project, and local national employees in thirteen host countries. DCPDS also provides operational and corporate-level information management support to all management levels within the Department. The deployment of DCPDS caps the largest HR transformation initiative in the Federal government: the DoD HR Regionalization and Systems Modernization Program, which has generated savings through the consolidation of DoD civilian HR operations into a regionalized environment, based on standardized and reengineered business processes, supported by a single HR information system.

The Human Resources Strategic Plan for FY 2002-FY 2008 is a living document. Adjustments are made on a continual basis, with the changes published in an annual annex. Twenty-six performance indicators were completed during FY 2002, including implementing HR system changes to enhance recruitment; benchmarking HR processes and practices against industry best practices; promoting diversity initiatives; and maintaining high-level strategic alliances with other public and private HR organizations. DoD experienced successful completion of the first year goals and we are well on the way with the FY 2003 accomplishments.

An excellent method to develop, nurture and sustain the best and brightest members of our current workforce is the Defense Leadership and Management Program (DLAMP). DLAMP is the premier leadership development program for senior DoD civilians and a key component of the succession planning program. Full and complete funding of this program is vital to DoD to ensure the proper development and education of future senior civilian leaders, prior to the departure of any eligible senior executives.

Additionally, DoD is continuing efforts to improve the academic quality and cost-effectiveness of the education and professional development provided to its civilian workforce. We have made good progress towards obtaining accreditation for DoD institutions teaching civilians. DoD anticipates that all but one of these institutions will have gained accreditation by the end of this year. We are also working towards implementing the academic quality standards and metrics and associated data collection system developed last year. These will provide our institutions a mechanism for performance benchmarking and will give decision-makers accurate and timely information on the quality and cost-effectiveness of our institutions. Finally, we have progressed well in our research to identify the lessons learned and best practices used by educational institutions, corporate universities, and government agencies; we are applying those lessons and practices to improving the academic quality and cost-effectiveness of DoD civilian education and professional development.

HEALTH CARE***Military Health System Funding***

In the President's Budget Request for FY 2004, the Defense Health Program (DHP) submission is based on realistic estimates of delivering health care. It includes assumptions for growth rates in both pharmacy (15%) and private sector health costs (9%). Still, we need flexibility to manage our resources. We seek your assistance in restoring the contract management flexibility you provided in the National Defense Authorization Act for FY 2002 and in alleviating restrictions on moving resources across budget activity groups. Our beneficiaries who are not enrolled in TRICARE PRIME make their own choices about where they receive their health care. When they choose purchased care, and our private sector care costs go up, we need to be able to realign funds to cover these bills. If the Department has to wait several months for a prior approval reprogramming, contractors and providers are essentially "floating" the government a loan. This is contrary to good business practice and harms our relationships with our contracting partners and participating providers. Health care costs for the TRICARE for Life benefit will be received from the Medicare-eligible Health Care Accrual Fund, and are not reflected in this appropriations request.

The Department has developed, and is implementing, a five-year strategic plan for the Military Health System. The plan was developed using a balanced scorecard methodology and focuses on the successful implementation of the dual mission of providing support for the full range of military operations and sustaining the health of all those entrusted to our care. Key measures in the plan include readiness, quality and efficiency.

Force Health Protection and Medical Readiness

Even before the Global War on Terrorism, the Military Health System (MHS) had numerous activities underway to ensure force health protection and medical readiness. These efforts include development of a joint medical surveillance capability, joint medical response operations, and an aggressive immunization program to counter possible exposure to anthrax or smallpox. The FY 2004 budget continues to support these efforts.

TRICARE

TRICARE's success relies in part on incorporating best business practices into our administration of the program, specifically in regard to how our managed care contracts operate. We have carefully coordinated and planned for the next generation of TRICARE contracts (T-Nex). A basic tenet of the T-Nex acquisition is to exploit industry best practices to support the basic benefit structure of the TRICARE program. We enter this new generation of contracts with a commitment to our beneficiaries to earn their satisfaction, and to provide a near-seamless transition to our future providers.

Delivery of TRICARE for Life benefits continues to be a great success. In the first year of the program, we processed over 30 million claims; the overwhelming majority of anecdotal information we receive is that our beneficiaries are extremely satisfied with TRICARE for Life. They speak very highly of the senior pharmacy program as well. This program began April 1, 2001, and in the first year of operation, 11.6 million prescriptions were processed, accounting for over \$579 million in drug costs.

Reserve Component Health Care Benefits

The Department has introduced several health care demonstration programs since September 11, 2001, to provide an easier transition to TRICARE for the growing number of reserve component members and their families who are called to active duty. These demonstrations have helped to preserve continuity of medical care and reduce out-of-pocket costs for these families. We are revising our administration of reserve benefits to ensure that families are not arbitrarily excluded from benefits that were intended for them. We have also revised our policies to ensure that family members of reservists who are activated are eligible for TRICARE Prime Remote benefits when they live more than a one hour's commuting distance from a military medical facility, regardless of the mobilization site of the Service member. In addition, reservist families can enroll in TRICARE Prime if a member is activated for 30 days or more.

Coordination, Communication and Collaboration

The MHS has built many strong relationships among other federal agencies, in addition to professional organizations and beneficiary and military service associations. The Department's relationship with the new Department of Homeland Security will demand effective cooperation across the spectrum of functions across the Department.

MHS collaboration with the Department of Veterans Affairs dates back many years, but we are especially proud of recent accomplishments. We have made great strides this year in partnering to provide health care to DoD and VA beneficiaries in areas such as North Chicago/Great Lakes and Southern Texas. We are pursuing other opportunities for resource and facility sharing and will report on them to Congress over the next few months as required by the

National Defense Authorization Act (PL 107-314). We have experienced remarkable success in our joint pharmaceutical-related efforts. In fiscal year 2002, our joint pharmaceutical contracting resulted in over 100 million dollars in cost avoidance for the Department. We continue to collaborate with the VA through the VA-DoD Joint Executive Council, where senior healthcare leaders proactively address potential areas for further collaboration and resolve obstacles to sharing. The Department has worked with the Department of Veteran's Affairs throughout the past year as an active participant on The President's Task Force to Improve Health Care Delivery for Our Nation's Veterans. The task force has reviewed many aspects of each department's health care business. As stated in their Interim Report released in July 2002, the Task Force "is encouraged by the establishment of the VA/DoD Joint Executive Council...(which) recently agreed to undertake a strategic planning initiative, the first time such a joint planning endeavor has been initiated." We look forward to receiving their final recommendations.

Military Medical Personnel

The added flexibility for administering health professions' incentives that you included in the National Defense Authorization Act for FY 2003, including increasing the cap for clinical professions up to \$50,000/year for some of our accession and retention bonuses, and improving the Active Duty Health Professions Loan Repayment Program authority, are greatly appreciated. The Services are working with Health Affairs to develop plans for future targeted pay increases in those clinical areas where there is difficulty in filling requirements.

CONCLUSION

Mr. Chairman, this concludes my statement. I thank you and the members of this Subcommittee for your outstanding and continuing support for the men and women of the Department of Defense.

I would like to take this opportunity to note that the joint efforts of Congress and the Department are beginning to pay off. Service members who completed the web-based 2002 Status of Forces Survey opinion survey expressed greater satisfaction with almost all aspects of service life than they had three years earlier. For instance, results show a significant gain in satisfaction over compensation. This is directly attributed to the annual pay raises that exceeded wage growth in the private sector, and housing allowance hikes set higher than the yearly rise in local rents. The Congress was instrumental in making this happen.

Even better news is that more than 80 percent feel they are ready to perform wartime duties. This is certainly a positive endorsement for the programs that you have helped us enact. I am hopeful that I can count on your support in the future. I look forward to working with you closely during the coming year.

STATEMENT BY

LIEUTENANT GENERAL JOHN M. LE MOYNE

DEPUTY CHIEF OF STAFF, G1

UNITED STATES ARMY

BEFORE

TOTAL FORCE SUBCOMMITTEE

HOUSE ARMED SERVICES COMMITTEE

UNITED STATES HOUSE OF REPRESENTATIVES

FIRST SESSION, 108TH CONGRESS

DEFENSE TOTAL FORCE TRANSFORMATION AND OVERVIEW OF FY04 BUDGET

MARCH 13, 2003

NOT FOR PUBLICATION

UNTIL RELEASED BY THE

HOUSE ARMED SERVICES COMMITTEE

LIEUTENANT GENERAL JOHN M. LE MOYNE

Deputy Chief of Staff, G-1, United States Army



Lieutenant General Le Moyne assumed duties as the Deputy Chief of Staff, G-1, United States Army in November, 2001.

Lieutenant General Le Moyne enlisted in the Army in 1964 as a Special Forces Reserve Soldier. He was later commissioned from the Reserve Officer Training Corps as an Infantry Officer in 1968 from the University of Florida.

General Le Moyne's military experience spans every level of command and staff. His commands include The United States Army Infantry Center at Fort Benning, the 1st BDE, 24th Infantry Division in Saudi Arabia,

an Infantry Battalion in Germany, and Infantry Companies in Vietnam and Germany. General Le Moyne has combat tours in Vietnam, Panama, and Iraq.

In 1986, General Le Moyne served as the Division Operations Officer for the 24th Infantry Division. After a two-year assignment at Fort Bragg in the Joint Special Operations Command, he returned to the 24th Division in August of 1990 as the Division Chief of Staff. Later, he served as the Assistant Division Commander for Maneuver with the 2d Armored Division at Fort Hood, Texas. In 1995, General Le Moyne served in Belgium as the Executive Officer to the Supreme Allied Commander Europe. In 1996, he served as the Deputy Chief of Staff for Operations and then Chief of Staff, United States Army Europe before being assigned as the Assistant Deputy Chief of Staff for Personnel, Headquarters Department of the Army, in 1998. Previous to his current assignment, General Le Moyne served as the Commander, United States Army Infantry Center/Chief of Infantry. Other career highlights include S-3 in the 2nd Ranger Battalion, Advisor in a South Vietnamese Airborne Division in 1969, and the Saudi Arabian National Guard in 1983.

His military education includes the Royal College of Defense Studies, London, England, the Army War College, the Marine Corps Staff College, and the Armor Advanced Course.

General Le Moyne's awards include the Defense Distinguished Service Medal, the Distinguished Service Medal, the Legion of Merit (2OLC), the Bronze Star Medal (6OLC) with 3 awards for Valor, the Purple Heart, the Meritorious Service Medal (4OLC), the Army Commendation Medal (4OLC) with 2 awards for Valor, and the Combat Infantryman's Badge. General Le Moyne also holds the Ranger Tab, the Master Parachutist Badge, and the Expert Infantryman's Badge.

General Le Moyne is married to Marion Le Moyne of Gainesville, FL. Their son James, and his wife Melissa, have a daughter and a son.

"Soldiers on Point for the Nation"

RECORD STATEMENT OF
DEPUTY CHIEF OF STAFF, G1
LTG JOHN M. LE MOYNE

Mr. Chairman and distinguished members of the Committee, on behalf of the outstanding soldiers of the United States Army, thank you for this opportunity to appear before this Subcommittee today to give you an overview of The Army's Personnel Transformation as well as our FY04 budget request. First, I want to express my deep gratitude for your Congressional support and assistance which has assured major successes and achievements in our Army this past year.

Our soldiers, civilians and their families are key to maintaining a lethal agile and well-trained fighting force able to deploy to defend freedom at a moments notice. Our American Soldier's deep sense of duty, commitment to honor and love of country throughout our history is what has made this country the greatest and secured our freedom for more than 200 years. While helping to fight the Global War on Terrorism, deploying to possible operations in South West Asia and supporting the Homeland Defense, our Army is in the midst of a profound change. Personnel transformation remains our constant imperative – today, tomorrow, and for the future.

Today, more than 198,000 soldiers remain deployed and forward stationed in 120 countries around the globe, conducting operations and training with our friends and allies. The resources provided by Congress to the Army for important missions are some of the reasons for our most recent success. Soldiers from both the Active and the Reserve Component have remained "on point" for the Nation.

LEADERSHIP

The Army is a profession – the Profession of Arms. The development of each member of The Army is the foundation of lifelong devotion to duty – while in uniform and upon returning to the civilian sector. Profession of Arms must remain firmly grounded in Constitutional values and constant change to preserve its competitive advantage in an evolving strategic environment. At all levels, our military leaders – and civilian – must apply their professional knowledge in increasingly varied and unique situations that are characteristic of today's strategic environment. Ultimately, we must grow professional Army leaders who provide military judgments founded on long experience and proven professional expertise. This capacity is developed only through a lifetime of education and dedicated service – in peace and in War.

Soldiers serve the Nation with the full realization that their duty may require them to make the supreme sacrifice for others among their ranks. Soldiers fighting the war on terrorism today, those who will fight our future wars, and those who have fought in our past wars are professional soldiers and a precious national asset. To ensure we remain the greatest land power in the world defending our nation. The Army and the Nation rely upon our soldiers unique and hard-earned experiences and skills. To develop the operational skills required to defend the Nation, training must remain our number one priority.

The evolving strategic environment, the gravity of our responsibilities, and the broad range of tasks The Army performs require us to review and update the way we educate, train, and grow professional war fighters. The Army's strategic responsibilities to the Nation and Combatant Commanders now embrace a wider range of missions. Those

missions present our leaders with even greater challenges than previously experienced. Therefore, leader development is the lifeblood of the profession. It is the deliberate, progressive, and continuous process that trains and grows Soldiers and civilians into competent, confident, self-aware, and decisive leaders prepared for the challenges of the 21st Century in combined arms, joint, multinational, and interagency operations.

END STRENGTH (Active)

While the Congressionally mandated FY02 Active Army end strength was 480,000, The Army exceeded this end strength target, as well as the budgeted average strength of 474,000 man-years. The Army finished FY02 with an end strength of 486,543 (78,158 officers, 404,305 enlisted, and 4,080 Cadets). Stop Loss accounted for 2,217 of the total FY02 end strength. Our average strength was 482,733 man-years. Stop Loss accounted for 827 of the total FY02 man-years. The Army recruited 79,585 new soldiers and met its accession quality marks. The Army exceeded its retention goals by 1,437 for initial term, mid career and career categories and 2,961 for end term of service category.

END STRENGTH (Reserve)

The Army Reserve finished FY02 with a Selected Reserve (SELRES) strength of 206,682 soldiers; 100.8 percent of its congressionally mandated end strength objective (ESO) of 205,000. If recruiting and retention continue at the current pace, The Army Reserves expects to end FY03 slightly above the 205,000 ESO, but well within the two

percent variation allowed by Congress. In FY02 the Army Reserve enlisted Troop Program Unit attrition was 27%. The Army Reserve exceeded the FY02 SELRES ESO by 1,682 soldiers. Additionally, expanding the Retention Transition Division (RTD) allows the Army to implement more effective Reserve soldier life-cycle management. Active Guard/Reserve (AGR) and Individual Mobilization Augmentee (IMA) programs remain key to the SELRES manning strategy. The Army Reserve continues to experience a Troop Program Unit (TPU) officer shortfall, achieving 94.6% of the ESO for officers.

The Army Reserve continues to maintain end strength slightly above the ESO of 205,000. Recruiting, led by no prior service soldiers entering Reserve units, is keeping pace with manpower requirements. Attrition rates are on the rise believed to be due to demobilization, reduction of the non-participant population, and increased retirements. Fully funding manpower accounts are critical to maintaining momentum. Army Reserve goals remain to: improve full time manning (AGR and military technicians); promote maximum soldier participation; reduce and stabilize attrition; and continue attracting high quality recruits.

PERSTEMPO

To meet the demands of the current National Emergency, the Army has experienced substantial increases in Personnel Tempo (PERSTEMPO). By necessity, due to global operational commitments, soldier deployments and Reserve Component mobilizations have combined to increase the turbulence and uncertainty felt by soldiers and their families who serve our Nation. In defense of our Nation, soldiers in all

components are being tasked to spend significant time away from home, for missions both foreign and domestic. We have not yet turned the tide in the upward spiral of these requirements, but wish to assure you that the Army is doing what it can to track and monitor deployments at the individual soldier level.

The Army employs various measures to actively manage and minimize the effects of PERSTEMPO and coordinates with OSD to manage force requirements. The Army seeks to reduce PERSTEMPO by rotating units, by selectively using Reserve Component forces, and through a post-deployment stabilization policy. The Army endeavors to manage contingency operations requirements through global sourcing, as well as through use of career and contract civilians where feasible.

We considered the effects of PERSTEMPO and implemented tracking and reporting the number of days a soldier is deployed in FY00. The statutes surrounding PERSTEMPO for tracking, reporting and payment procedures were imposed to encourage the Services to reduce, where possible, excessive individual deployments vice payment of an entitlement for the soldier. The Army places priority on our mission requirements over the high deployment per-diem and will not compromise readiness nor unit cohesion to avoid future potential high deployment per diem payments. Army deployments will continue based on the needs of the Nation, the Army and the best interest of the soldier, in that order. The Army has a duty to comply with PERSTEMPO requirements and to manage them for the welfare of our soldiers, their families and the future of the Army.

Our most recent report supports a total of over 1,004 soldiers exceeding the 400 days threshold of PERSTEMPO in the preceding 730 days. The Army will continue to

manage deployments with an emphasis on maintaining readiness, unit integrity, and cohesion while meeting operational requirements.

STOP LOSS

The present National Emergency warrants that certain soldier skills are essential to the national security of the United States under the provisions of 10 USC 12305. Selected soldier skills and officer/warrant officer specialties, will be retained on active duty and will not otherwise be separated or retired. Those affected by the order cannot retire or leave the service as long as reserves with those same skills are called to active duty or until otherwise released by proper authority.

On 30 November 2001, The Assistant Secretary for Manpower and Reserve Affairs, ASA (M&RA) approved a limited stop loss for soldiers of the Active Army (Stop Loss 1). On 27 December 2001, the ASA (M&RA) expanded Stop Loss 1 to include the Ready Reserve and additional skills and specialties for both the Active Army and the Ready Reserve (Stop Loss 2). On 8 February 2002, a third increment of stop loss was approved to include additional skills and specialties for both the Active Army and the Ready Reserve (Stop Loss 3). On 4 June 2002, the ASA (M&RA) approved partially lifting stop loss for skills and specialties affected by Stop Loss 1-3, and approved a fourth increment of stop loss to include additional skills and specialties for both the Active Army and the Ready Reserve (Stop Loss 4). Stop Loss 4 ensured a zero sum gain against FY02 end strength. Active Component soldiers who have completed their obligation under the Army's 12-month, skilled-based stop loss will not be subject to this

new stop loss (soldiers however, will be given the choice to continue serving). Active Component (AC) unit stop loss, for selected forces that deploy in support of operations in the CENTCOM AOR, was approved on 14 February 2003. Potential impact to FY03 Army end strength if this stop loss initiative is approved ranges from 492.7K to 504.6K (2.7% to 5% over 480K end strength). Partial Lift #3 has been completed for the MP Corps.

The global war on terrorism is projected to take years to successfully complete. Stop loss was not designed to preclude soldiers from voluntarily separating for an indefinite period of time. The time has come to provide soldiers affected by stop loss more predictability on when it will be lifted.

STOP MOVE

Stop move for selected AC units supporting operations in the CENTCOM AOR was announced 22 December 2002. Units in support of Operations Enduring Freedom (OEF) or Noble Eagle (ONE) are currently not affected by stop move. The intent of the Army's stop move program is to maintain personnel operating strengths, readiness, and cohesion for deploying units, while ensuring we do not deplete the rest of the Army (i.e., Korea) effective 21 December 2002. Soldiers in deploying units with PCS report dates between 31 Dec 02 and 28 Feb 03 continue to PCS while enlisted soldiers with report dates of 1 Mar 03 or later will deploy with the unit. Officers and warrant officers with report dates between 1 Mar and 31 May 03 will be initially deferred for 90 days; additional deferrals and modifications for these officers with report dates 1 Jun 03 or later may be made pursuant to future operational assessment.

Stop move will affect Korea through the Involuntarily Foreign Service Tour Extensions (IFSTE) for up to 2900 soldiers in Korea for 90 days beyond DEROS. Soldiers involuntarily extended will not be further extended for operational reasons or be required to meet service remaining requirements for PCS back to CONUS. Soldiers who would undergo undue hardship because of short-notice IFSTE (e.g., already shipped HHG, started terminal leave, or moved family members) are also exempt.

ACTIVE/RESERVE FORCE MIX

The Army's current force mix provides required capabilities consistent with the new Defense Strategy. The force mix, however, also reflects numerous adjustments as a result of changes in Defense Strategies over the last 30 years, as well as dramatically increasing everyday demands. Currently, 64 percent of the active Army's total structure is in its operation forces (307K), with 23 percent (110K) in the Generating Force (e.g., recruiting, training and education, power projection and industrial base); the remainder, 63K (13%) is in the Transient, Trainee, Holding and Students account. Of the 307K Operating Force, approximately 184K (38% of total Active Component (AC) structure) is combat and 123K (26% of total AC is combat support or service support structure). Lastly, the AC Generating Force totals include 44K of Congressional and/or OSD mandated missions (e.g., Joint Staff, OSD Staff, Intelligence, Medical, RC training Support). The result is a structure that has balanced risks and priorities, over time, in light of significant changes in the operational environment as well as resource constraints.

Most noticeably, AC end strength has been reduced from 611K in fiscal year 1992, down to 480K today. Simultaneously, the AC inactivated four divisions and reorganized

the maneuver structure of the remaining divisions. This resulted in a 25% decrease in heavy division maneuver combat power, with available savings reinvested in the most critical areas, balancing risk and operational requirements.

The current AC/RC mix is a result of a conscious decision to migrate the largest portion of specific tasks into the RC because these skills were determined to be costly, training intensive, difficult to maintain acuity and difficult to retain due to civilian demand for similar skills. At the same time, many of these skills lent themselves to smaller more specialized team organizations that did not require the level of collective training needed for war fighting skills; easier to mobilize. Based on the current defense strategy and worldwide deployments, the Army continues to adjust its force structure. The Army maintains six critical operational capabilities at the level of 75% or more in the Reserve Component to include: Civil Affairs, Personnel Services, Psychological Operations, Public Affairs, Supply Operations and Chemical. The Army's current force mix provides required combat/support capabilities consistent with the new defense strategy and reflects decisions that balance risks and priorities in light of significant constraints. All services have AC/RC mix issues; however The Army's are the most complex. Some reasons for embedding capabilities in the RC are changing in the post 9/11 world; others remain valid. Reserve Component Forces projected for early use must sustain high levels of readiness during peacetime. The Army must remain active in determining the mix of the Active and Reserve force component.

LOW DENSITY/HIGH DEMAND LD/HD UNITS

The Army has three types of units on the Global Military Force Policy (GMFP) list as LD/HD: Patriot Battalions; Biological Identification and Detection Systems (BIDS) Companies; and Technical Escort Units (TEUs).

The Army has a total of 12 PATRIOT Battalions of which nine battalions are GMFP. The one permanently deployed in Korea and the two ARNG battalions are not included in GFMP. The Army has now resourced a maintenance company for each of the battalions. Additionally, POM 04-09 resourced additional manpower (22 spaces) to bring the AC battalions to full strength.

The Army currently has two BIDS companies (one active and one reserve) with the projected activation of an additional company in each component in FY03. Based on the FY04-09 POM submission, BIDS force structure will increase to a total of 17 by FY09. The Army is programming the manpower spaces, common equipment, and training for these units. OSD is funding the \$518M for the Joint Biological Point Detection System (JBPDS) to meet this timeline. Currently, the manufacturer can only produce two systems per year inhibiting a more rapid fielding of JBPDS.

Technical Escort Units provided DoD and other government agencies with a unique immediate response capability for chemical, biological and industrial material weapons or hazards, including weapons of mass destruction. Beginning in FY04, the Army will invest an additional 123 military spaces and convert the currently non-deployable TDA unit into a deployable MTOE battalion. This battalion will have the capability to provide 10 joint response teams, 5 national response teams and seven remediation response

teams. Current GMFP force lists correctly identify critical LD/HD organizations for the Army. POM 04-09 resourcing efforts have adequately addressed shortfalls and minimized risk in homeland security and force projection strategy requirements. Our desire is that Congress continues to support retention of current Army forces listed on the GMFP, without adding any new organizations.

UNIT MANNING

Unit manning seeks to synchronize the life cycle of a unit with the life cycle of the Soldier within that unit. Soldiers and leaders will be stabilized, resulting in a significant increase in cohesion and combat readiness over our present individual replacement system. Such a system has significant second and third order effects across the force – training and leader development, recruiting and retention, unit readiness levels, and total Army end strength, among others. All of these systems are being studied intensively.

The objective of our manning strategy is to ensure we have the right people in the right places to fully capitalize on their war fighting expertise. Correctly manning our units is vital to assuring that we fulfill our missions as a strategic element of national policy; it enhances predictability for our people; and it ensures that leaders have the people necessary to perform their assigned tasks. In FY00, we implemented a strategy to man our forces to 100% of authorized strength, starting with divisional combat units. The program expanded in FY01 and FY02 to include early deploying units. FY02 represented the third year of implementation for the Army manning strategy and we have maintained our manning goals and continued to fill our Divisions, Armored Cavalry

Regiments, and selected Early Deploying Units to 100% in the aggregate, with a 93-95% skill and grade-band match. We remain on target to accomplish our long-term goal of filling all Army units to 100% of authorized strength. Our manning initiatives have filled our line divisions and other early deploying units to reduce the internal turbulence of partially filled formations and help put a measure of predictability back into the lives of our families.

PERSONNEL TRANSFORMATION

At war and transforming, The Army is accelerating change to harness the power of new technologies, different organizations, and revitalized leader development initiatives that enable flexible, cost effective personnel policies for reshaping the Interim and the Objective Force for 2015.

To accomplish this, we must transform our current personnel systems to meet the Army's vision of being more strategically responsive across the full spectrum of military operations. While the Army's eight Personnel Life Cycle functions (acquire, distribute, develop, deploy, compensate, sustain, transition, and structure) do not change under the Army vision, how we do them does change as we migrate legacy systems to web-based technology.

New capabilities under Army eHR will include paperless electronic workflow, digital signature, passive personnel tracking, predictive analytics, unobtrusive record keeping, and a variety of on-line services. Overall customer service to the soldier, staff officer, and commander on the battlefield will be significantly more timely and accurate.

In preparation for the Objective Force, and with the infusion of enterprise COTS (Commercial Off the Shelf) technology, a complete realignment of the Personnel structure and workforce is well underway. Implementing new technology is absolutely key therefore we must invest in HR systems through FY05. This will enable the reshaping of personnel units to become more responsive to the needs of commanders from a smaller footprint in the battle space.

As the integrating framework, five Personnel Transformation themes synchronize the personnel life cycles to form the sync matrix for concept development, decision-making, and resourcing. These five themes are *Personnel Enterprise System*, which forms the operational infrastructure and the knowledge architecture, which is the vehicle for revolutionizing the delivery of personnel services to soldiers and commanders and enhancing operational readiness. The resulting capabilities include online services, transactional capabilities, and analytical decision support with accurate and timely data. Second, *Manning* is the key and essential part of readiness. Our plan is to man the future force employing a Rotational Unit Manning concept. A major change in the way we do business is necessary given a dramatic increase in deployments, the Global War on Terrorism, coupled with the fielding of an increasingly complex force. Significant changes in how we structure, recruit, manage our personnel, develop soldiers and leaders must be reconsidered to create degrees of freedom currently resident in the individual, equity based personnel system. Third, *Force Structure* changes are already underway, especially in the personnel community's workforce and organizations. From HQDA to unit level, a variety of multi-functional units are being structured and redesigned to meet the future needs of the Army. Fourth, *Training and Leader*

Development must be mutually supportive. We will work diligently to develop policies that meet the readiness goals inherent in unit manning while at the same time support the professional development needs of our Army and our people. Fifth, *Well-Being* is key to both individual and unit readiness. It is also critical to sustainment of our Army of today as well as that of the Objective Force. More specifically, it is an integrated system that: recognizes the institutional needs of the Army; designed and resourced to successfully account for the dynamic nature of The Army's operational challenges; maximizes outcomes such as performance, readiness, retention, and recruiting; and contributes to an institutional strength that enables The Army to accomplish its full spectrum mission.

Our efforts in transforming the Army's personnel system are progressing. To date, we have successfully used technology to webify or digitize various personnel systems (i.e. OMPF On-Line and 2X Citizen, PERSCOM Online, PERSTEMPO, automated selection boards, etc.). Working together with all components, we are confident that when the Army gets to the Objective Force in 2015, the Personnel and Pay communities will be transformed and ready. One of the five personnel enterprise systems, Unit Manning deserves additional attention as a significant factor of personnel transformation.

THIRD WAVE

The primary objective of The Third Wave is to make sure we are properly utilizing the military manpower we have before asking for additional resources. This is necessary because we are operating within fixed constraints, a 480K-end strength, in an

environment where there may be increasing demands for military capabilities for the global war on terrorism and worldwide contingencies. We will leverage our current end strength by converting non-core military positions to civilian employees or contract, where appropriate. We will pay for these conversions through savings generated from public-private competition and divestitures. The Third Wave supports the President's Competitive Sourcing Initiative, which is one of five government-wide initiatives on the President's Management Agenda. The Third Wave analysis is based on the Inventory of Commercial and Inherently Governmental Activities (which includes functions in the FAIR Inventory) and Senior Executive Council memorandum, subject: Using Core competencies to Determine DoD's Sourcing Decisions. Third Wave study costs will be programmed in POM 05-09.

WELL-BEING

Well-Being is the Strategic Human Capital Management System for the Army. When applied at every level of leadership, this system provides the focus for balancing the needs of the Army and the expectations of our people – Soldiers, retirees, veterans, SA civilians and their families. Well-Being is oriented on developing strategic outcomes within the human dimension, and measuring progress and results in achieving those strategic ends.

To measure these results, the Army designed a Well-Being Status Report (WSBR). The WBSR serves as a feedback mechanism designed to track the current and future status of Well-Being as it impacts the personnel dimension of readiness, enabling the senior leadership of the Army to make informed decisions.

The Army is testing the concept at five locations for an entire year (June 2002 to May 2003). Additionally, the National Guard Bureau has funded a Well-Being laboratory site to explore methods to improve the effective delivery and receipt of Well-Being services and products to Guardsmen, Civilians and their family members. The NGB site is scheduled to stand up the first week of April 03.

Well-Being initiatives over FY02 have resulted in the largest pay raise for soldiers in a generation, as well as a 4.6% pay raise for civilians. There was an 18% increase in military construction for new barracks, family housing and medical facilities. The medical component of Well-Being resulted in full funding for TRICARE military health care – a \$6 billion increase over the past year. Included in this initiative is TRACARE for Life for Medicare-eligible uniformed services retirees, family members and survivors. Well-Being's impact on our Reserve and National Guard constituents resulted in improved pay, benefits and quality-of-life initiatives for reserve component soldiers and their families, such as TRICARE eligibility for the military sponsor beginning on the effective date of their orders to active duty. For those soldiers ordered to active duty for more than 30 consecutive days, their families are eligible for health care under TRACARE Standard or TRICARE extra.

Given the competing demands for limited resources we must ensure the Well-Being of the force by making informed decisions about which Army Organizational Life Cycle functions provides largest "payoff", in terms of Well-Being of its people, while achieving the tasks to assess, recruit, train, retain and meet the Army's mission. Well-Being allows the Army leadership to focus the application of resources with a measurable result.

CONCLUSION

The Army's soldiers, family members and civilians are proud of our progress. We truly appreciate Congress's continued support for its programs for improving the lives of our people. We are grateful for recent congressional initiatives to increase military pay and benefits and improve the overall well being of soldiers. This allows fine young men and women, to return to America's communities better educated, more mature and with the skills and resources to prepare them for a productive and prosperous life. They make valuable contributions to their communities.

We are hopeful that your support and assistance will continue as we demonstrate our commitment to fulfilling the manpower and welfare needs of the Army; active, reserve, civilian and retired.

Again, thank you for the opportunity to appear before you today.

NOT FOR PUBLICATION UNTIL RELEASED BY
THE HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF
VICE ADMIRAL GERALD L. HOEWING, U. S. NAVY
CHIEF OF NAVAL PERSONNEL
AND
DEPUTY CHIEF OF NAVAL OPERATIONS
(MANPOWER & PERSONNEL)
BEFORE THE
SUBCOMMITTEE ON TOTAL FORCE
OF THE
HOUSE ARMED SERVICES COMMITTEE
ON
DOD'S MILITARY PERSONNEL TRANSFORMATION INITIATIVES
AND
SERVICE PERSONNEL PERSPECTIVES ON THE
FISCAL YEAR 2004 DEFENSE AUTHORIZATION REQUEST
13 MARCH 2003

NOT FOR PUBLICATION UNTIL RELEASED BY
THE HOUSE ARMED SERVICES COMMITTEE



United States Navy Biography

Vice Admiral Gerald L. Hoewing
United States Navy
Chief of Naval Personnel
Deputy Chief of Naval Operations
(Manpower & Personnel)

Vice Admiral Gerald L. Hoewing is the 53rd Chief of Naval Personnel. A native of Keokuk, Iowa, Vice Adm. Hoewing graduated from Iowa State University with a Bachelor of Science degree. He received his commission in May 1971 through the NROTC Scholarship Program and was designated a Naval Aviator in August 1972.

Vice Adm. Hoewing received initial Fleet Replacement Pilot training in the A-7E Corsair II light attack aircraft at NAS Lemoore, Calif., and served with Attack Squadrons ONE FORTY-SEVEN, ONE TWENTY-TWO and NINETY-FOUR, completing several western Pacific deployments in USS Constellation (CV 64) and USS Kitty Hawk (CV 63). In December 1980, he reported to Air Test and Evaluation Squadron FIVE at Naval Weapons Center, China Lake, Calif., where he served as Operational Test Director for the F/A-18 Hornet Operational Evaluation.

Following A-7E and F-14 refresher training, Vice Adm. Hoewing was assigned as Carrier Air Wing SIX Operations Officer, where he completed three Mediterranean/Indian Ocean deployments onboard USS Independence (CV 62) and USS Forrestal (CV 59). After graduating from the National War College in 1987, he reported as Executive Officer of Strike Fighter Squadron EIGHTY-ONE and assumed command of the "Sunliners" in May 1989, where he deployed aboard USS Saratoga (CV 60) during Operation Desert Shield.



Following his squadron command tour, Vice Adm. Hoewing served at the Bureau of Naval Personnel as Aviation LCDR/Junior Officer Assignment Branch Head. In January 1993, he assumed command of the fast combat logistics support ship USS Seattle (AOE 3), where he deployed to the Mediterranean in support of the USS Theodore Roosevelt Battle Group. In January 1995, he became the 20th Commanding Officer of USS John F. Kennedy (CV 67). He then served as the Senior Military Assistant to the Under Secretary of Defense for Personnel and Readiness in Washington, D.C.

Vice Adm. Hoewing's first Flag Officer assignment was as the Assistant Commander for Distribution (PERS-4), Navy Personnel Command, where he was responsible for the assignment of more than 370,000 Navy men and women. He assumed command of Carrier Group SEVEN embarked in USS John C. Stennis (CVN 74) in October 1999 and completed a highly successful deployment to the western Pacific and Arabian Gulf. He commanded the Navy Personnel Command from September 2000 through September 2002.

On 1 October 2002, Vice Adm. Hoewing assumed the duties of Chief of Naval Personnel/Deputy Chief of Naval Operations (Manpower & Personnel). Vice Adm. Hoewing is responsible for the planning and programming of manpower and personnel resources, budgeting for Navy personnel, developing systems to manage total force manpower and personnel resources, and assignment of Navy personnel.

Vice Adm. Hoewing plans and directs the procurement, distribution, administration, and career motivation of personnel in the active and reserve Navy, coordinates and controls professional standards criteria, directs manpower and personnel research and development to improve individual and organizational performance, and leads the development and implementation of service-wide programs for improved human relations and Quality of Life.

He is authorized to wear the Distinguished Service Medal, Defense Superior Service Medal, Legion of Merit with three Gold Stars, Meritorious Service Medal with two Gold Stars, Navy Commendation Medal, Navy Achievement Medal, and various campaign and service awards.

INTRODUCTION

Mr. Chairman, and distinguished members of this subcommittee, I am deeply honored to have been chosen last year to take the helm as the 53rd Chief of Naval Personnel, a career opportunity that permits me the honor of leading a team of consummate professionals responsible for providing direct support to Sailors and civil servants world-wide who, together, comprise the most formidable force in the history of naval warfare.

I also want to express my sincere gratitude for the outstanding support Congress, especially this subcommittee, continues to show for all military personnel and their families during this unprecedented time in our Nation's history.

Two years ago the Chief of Naval Operations (CNO) established manpower as his number one priority. As a direct result of this commitment, we commenced the war against terrorism in a very high state of readiness. As I speak to you today, over 380,000 active duty and 156,000 Reserve personnel are participating in preserving freedom and ensuring our Nation's security as volunteers in the world's premier Navy – your Navy! Nearly 70,000 of those active duty Sailors are currently forward deployed on over 150 ships and submarines in direct support of the War on Terror bolstered by a dedicated cadre

of approximately 8,000 mobilized Naval Reservists, among the finest to ever serve.

The pay raises, both across the board and targeted; enhancements to special and incentive pays, especially career sea pay; efforts to improve housing and reduce out-of-pocket housing expenses; the authorization to participate in the Thrift Savings Plan and improvements in medical care and retirement reforms are among the most significant factors that have helped us attract and retain the Sailors we need today, many of whom will form the core of tomorrow's Navy leadership. As a result of these and other accomplishments, battle groups deploying to execute the nation's global objectives are better manned than at any time in recent history – departing homeport at or above 99% manned.

The FY04 Navy Military Personnel budget request of \$ 25.7 billion (Active \$23.6B/Reserve \$2.1B) seeks to continue building momentum as we pursue our Vision as the world's most powerful maritime force, of becoming the premiere military and governmental institution, attracting and retaining the nation's most talented, service-seeking men and women.

Past Year Achievements

Last year the Chief of Naval Operations challenged us to improve retention, reduce attrition, and create an environment that offers opportunities, encourages participation, and promotes personal and professional growth. We have met that challenge – recruiting, training, and retaining a more qualified and educated workforce – but these successes are about more than numbers. They are about real people being encouraged to succeed by real leaders who appreciate their service and their commitment to our nation.

- *Recruiting.* In FY02, recruiters met all accession requirements every month throughout the year. As of February 2003, Navy Recruiting Command met all accession requirements for 19 straight months. The FY03 beginning of year Delayed Entry Program was at the highest level (54%) since record keeping began in 1980, and the quality is very good. Last year we accessed 92% high school graduates (up from 90%), and nearly 6% of new recruits had some college education prior to joining.
- *Retention.* Record reenlistment rates allowed us to retain vital fleet experience. In FY02 Zone A (0-6 years of service) reenlistment was 58.7%; Zone B (6 to 10 years of service) reenlistment was 74.5%; and Zone C (11 to 14 years of service) reenlistment was 87.4%. Improved retention reduced at-sea manning shortfalls by more than 36% last year

and reduced our FY02 recruiting goal from 54,000 to 46,150; saving precious recruiting resources.

- *Attrition.* Here too, the trend is positive. In 2002, we reduced Zone A attrition by over 23%. Also, Recruit Training Command (RTC) drug losses declined more than 27%, largely due to drug testing within 24 hours prior to shipping to RTC.
- *Advancement.* Last year, advancement opportunities were 20.1% for E-5, 19.3% for E-6, 26.7% for E-7, and 13% for E-8. Through careful management of Top Six (E-4 to E-9) growth, high year tenure, retirements, and reenlistment rates, we anticipate advancement opportunity will remain stable through FY07 as we work toward a more senior force. Toward that end, in FY02 we increased the overall number of E-4 to E-9s in our Navy by 2.5% to 71.4%, heading toward 73.3% in FY04 and ultimately 75.5% by FY07.

As impressive as these gains are, there are still areas where we can do better, and we will. The challenge comes in prioritizing resources and implementing programs and initiatives, many of them truly transformational, which will ensure our Vision is achieved and sustained. I recently conveyed my 2003 guidance to my team of professionals that comprise the manpower and personnel directorate of the Chief of Naval Operations staff and each of our

integral field activities, following a *Navy Military Personnel Strategy* we developed last year. Among the more significant challenges facing Navy Manpower this year are:

- **Shaping our Inventory Profiles.** We must maintain a balanced inventory of qualified people to meet Fleet needs as well as ensure the proper levels of experience at sea and ashore.
- **Satisfying the demands of an All-Volunteer Navy in the 21st Century.** We must apply our concepts for Sailor advocacy and Distribution Transformation.
- **Determining Total Force Requirements.** We must balance our inventory of people with valid billet requirements, reduce the overhead in officer and enlisted personnel accounts, and validate proper active/reserve/civilian/contractor work force mix.
- **Growing a more Experienced and Technical Force.** We must enrich our current force knowledge and experience levels to meet the demands of our advanced combat systems.
- **Providing Meaningful Work.** We must adopt alternative strategies to positively influence our levels of general sailors assigned to meet non-technical requirements.

Our FY04 budget request fully supports these objectives and every member of my Personnel team clearly understands their role in supporting Navy's

bottom line of delivering combat capability, whenever required, anywhere in the world. That capability starts and ends with a fully trained force of highly educated Sailors. As we move forward, we carry with us a simple strategic principle that we internalized last year:

“Mission First, Sailors Always”

This principle means that we evaluate our plans and actions against two complimentary criteria:

- Does this meet mission needs?
- Does this meet Sailors’ needs?

A VISION FOR THE FUTURE

I mentioned that there is much that remains to be done. I'd like to share with you my vision of where Navy's manpower and personnel programs are headed over the next few years.

As part of the CNO's Sea Power 21 initiative, we are developing and implementing a program, called "Sea Warrior". This web-based, human resource management system reflects an unprecedented commitment to the growth and development of our people. It serves as a foundation of war-fighting effectiveness by ensuring that Sailors with the right skills are in the right place at the right time. Sea Warrior will develop naval professionals who are highly

skilled, powerfully motivated, and optimally employed for mission success. Historically, our ships have relied on large crews to accomplish their missions. Future all-volunteer service members will be employing new combat capabilities and platforms that feature dramatic advancements in technology and reductions in crew size. The crews of modern warships will be streamlined teams of operational, engineering, and information technology experts who collectively operate some of the most complex systems in the world. As optimal manning policies and new platforms further reduce crew size, we will increasingly need Sailors who are highly educated and expertly trained. Introducing our people to a life-long continuum of learning will be key to achieving this vision.

Within the next few years, I want Sailors and their families to be able to easily access an enhanced wide range of professional information to assist them in making better career decisions. We will have in place a process by which advancements will be achieved through a performance-based system, and enlisted members will be detailed in a manner similar to how our officers are currently detailed. The ratings in which Sailors serve will be fully manned, and personnel readiness for all deploying units will be at the highest levels.

Unrestricted line officer's career paths will better train, educate and develop them to meet operational requirements and lead our Sailors. And our

officer corps will fully represent the talents of our society, as we penetrate and access a greater share of the college-graduate minority market and retain those officers at a rate on par with all others.

Our Sailors and officers serving at sea will be supported ashore by a leaner, more efficient manpower team that is optimally manned for mission success. New IT solutions will provide more information to Sailors and civilians and provide leaders with more accurate, real-time data upon which to make better manpower, personnel, and financial decisions all yielding improved combat effectiveness. People will also be an integral factor in the acquisition process, as investment decisions will consider life-cycle manpower costs in our acquisition programs. Families will have an increasingly more active role in our Navy as their direct inputs are used to produce a continuum of new family related initiatives. Spouse employment will be an even greater element of the Sailor assignment process. When a leader says, "We recruit a Sailor, but we retain a family," every Sailor and family member will nod their head in agreement.

I foresee our Sailors being supported by a dedicated civilian community that has been developed through our ability to recruit top-notch people to serve in a structured program that provides superb training and education, personal development and pathways to success. We will integrate the civilian leaders of

this talented group, members of the Senior Executive Service, with their uniformed flag officer counterparts, to take better advantage of their collective knowledge, skills and abilities.

Within the next three years, our personnel strategy will be fully transformed into an effective human resources strategy that ensures the readiness of tomorrow's integrated force structure. Fusing currently segregated manpower, personnel, and training processes into a single integrated human resources (HR) philosophy will allow us to more acutely focus on the clear relationships between Navy's work (manpower) and our Sailors (personnel and training). The transformational HR process will build and enhance these relationships through integration of positions, knowledge, skills, abilities, tools (KSAT), and personnel competencies. Ultimately, the HR integration will allow Navy to frame manpower requirements, as well as recruit, distribute, train, and professionally develop our Sailors based on a common competency network.

Many of the items I've just mentioned are already close to realization. As I stated earlier, the focus of these initiatives will be a tangible improvement in combat readiness and mission execution. Improvements in the recruiting, manpower, and personnel business will further reduce gaps at sea, gain efficiencies necessary to fund valid requirements and give every commanding

officer, afloat and ashore, the talent needed to carry out any assigned mission.

A FRAMEWORK FOR TODAY

Shaping the Force: In FY03, we are executing approximately 3,900 in strength higher than authorized - consistent with our need to fill Anti-Terrorism/Force Protection (AT/FP) and readiness requirements, yet well within the +3% authority provided by Congress. Our end strength request for FY04 reflects a reduction in strength (1900 active and 2,044 reserve) that is largely the result of the manning delta associated with planned decommissioning/disestablishment of older ships and squadrons. For the reserves, we have decommissioned one F/A-18 squadron to conform with the Navy/USMC TACAIR integration/reduction plan and have taken cuts in Seabee and medical personnel in order to rebalance the active/reserve mix. We have embarked upon various efforts to help improve manpower efficiency and reduce future manpower requirements. This year, as we continuously evaluate our evolving strength requirements, we will seize upon the opportunity to shape the force, improve overall quality and enhance the skill mix. The result will be increased mission readiness and better advancement opportunity across all ratings.

- Meeting the Recruiting Challenge. As previously stated, our FY02 recruiting efforts were unprecedented and this success has continued through the beginning

months of 2003. Although recruiting has benefited somewhat from current economic conditions, the positive results of the recruiting effort can be attributed to a professional recruiting force, properly supported to achieve their mission objectives.

FY02 marked the fourth consecutive year in which Navy met its enlisted accession mission, including a string of 18 consecutive months (through January 2003) in which Navy attained new contract objective -- a feat the Navy has not accomplished in at least two decades. Meeting new contract objective is important because it builds the number of recruits in the Delayed Entry Program (DEP) to a level that provides a higher probability of long term recruiting success.

Improving Quality. This strong DEP position, far better than it has been in the recent past, has given Navy a strategic opportunity to improve recruit quality. Our data indicates that a higher quality recruit is less likely to attrite in the first term of enlistment. A higher quality recruit is also better suited for today's highly technical Navy that requires Sailors to develop and maintain increasingly complex skill sets through higher levels of education and a broader range of training. In this context, we measure recruit quality by:

- the percentage of High School Diploma Graduates (HSDGs),
- the percentage scoring in the upper half of the Armed Forces

Qualification Test (AFQT),

- the number enlisting with college credits and
- the number requiring waivers of standards.

Nearly 92 percent of FY02 accessions were HSDGs, a significant improvement over the DoD minimum of 90 percent achieved in FY01. We are confident that we can continue this trend and have established a stretch goal of 94 percent in FY03 - which we are on track to achieve. We have also increased the percentage of recruits who scored in the top half of the AFQT from 63 percent, in FY01, to 65 percent, in FY02. We shipped nearly 2,500 applicants with college experience in FY02, and the percent of non-prior service recruits with college experience improved from 4.5 percent, in FY01, to 5.6 percent, in FY02. To find the most cost-effective ways to attract these high quality recruits, we are exploring college-market penetration pilots as well as increased enlistment incentives specifically targeted to attract applicants with college experience. We have also tightened waiver standards. On a case-by-case basis, we approve waivers for high-quality individuals who have minor inconsistencies with Navy enlistment standards in areas such as physical standards, age, and number of dependents. The number of recruits requiring waivers dropped to just 17.8 percent in FY02.

Officer Recruiting. FY02 was also a very successful year for officer recruiting. We met all requirements in the Nuclear Officer, Unrestricted and Restricted Line and Staff communities. Among healthcare providers, Medical and Nurse Corps met their respective goals, while the Dental Corps and several Medical Service Corps specialties narrowly missed their requirements. Overall, this represented a significant improvement over the previous year.

We have already met FY03 requirements for pilots, surface warfare officers (conventional and nuclear), SEAL and Explosive Ordnance Disposal officers, aviation maintenance duty officers, oceanographers, intelligence officers, public affairs officers and supply corps officers. We still have some work to do to find the required number of Naval reactor nuclear power instructors, Medical Corps, Dental Corps, and Medical Service Corps officers.

Diversity. At the start of FY03, Navy Recruiting committed to making officer diversity recruiting a top priority, another example of how recent recruiting success has allowed us to focus on more than just the numbers.

Navy's FY02 enlisted accession cohort generally matched the diversity of the American population. However, FY02 officer new contracts statistics fall short of minority representation among those Americans receiving Bachelor's Degrees.

	African American	Hispanic	Asian/Pacific Islander/Native American
FY02 Enlisted Accession Cohort	18.1%	15.5%	9.7%
16-24 yr old data (2000 census)	15.1%	15.2%	5.2%
FY02 Officer New Contracts	5.1%	4.8%	8.0%
Bachelor Degrees in the Engineering Field (2000 Digest of Education Statistics)	5.6%	5.8%	13.4%

We are aggressively pursuing new strategies and policies to aid our diversity recruiting goals. Instructors at Navy Recruiting Orientation Unit (NROU) are now presenting diversity programs briefings to all recruiters attending training, and we are emphasizing the importance of diversity throughout curriculum courses. Additionally, the NROU National Training Team (NTT) has incorporated diversity into the Command Inspection Checklist to ensure that each Naval Recruiting District implements a systemic approach to diversity planning and production.

Campbell-Ewald of Detroit, MI, our strategic partner in advertising and marketing, is also increasing its focus on diversity. Agency representatives are currently conducting research to identify any misperceptions among minority communities about Navy service. The results of these research studies will help shape and direct future marketing and advertising efforts designed to target minority recruits and their influencers.

Statistical evidence demonstrates that increased focus on diversity is producing results. A comparison of new contract percentages attained through the first quarter of FY03 to the entire 2002 fiscal year reflects improvements in all areas.

	African American	Hispanic	Asian/Pacific Islander/Native American
FY03 1 st Quarter			
Officer New Contracts	6.8%	5.0%	11.1%
FY02 Officer New Contracts	5.1%	4.8%	8.0%

Advertising. Navy's "Accelerate Your Life" advertising campaign was rolled out approximately two years ago and has been an unquestionable success, winning over 38 competitive awards spanning the entire spectrum of the advertising and marketing field. The campaign communicates Navy as a hands-on adventure that will accelerate one's life to the highest level of achievement. Its objectives have included building awareness and consideration of the Navy as a career option and generating leads for recruiter follow-up. During the campaign's second year, the strategy has continued to focus on media channels and creative solutions targeted at the 18-24 year-old audience.

The centerpiece of our campaign is the Interactive Life Accelerator found on the NAVY.COM web site. During the 2002 International Web Awards Best Of Industry Awards competition, the site took home Best Of Show and Best Of Government Agency Web Awards. This prestigious recognition placed NAVY.COM among the best in the world in a competition featuring 3600 entries from 19 countries. The site enables individuals to indicate their likes and dislikes, and then translates their interests into a range of possibilities for a rewarding Navy career. Leads are captured and sent directly to the National Advertising Leads Tracking System, providing recruiters with timely and invaluable prospect information. Since its launch in March 2001, over 540,000 people have logged on to the Life Accelerator with 85% completing the assessment. Many recruiters

report prospects walking into recruiting offices with Life Accelerator results in hand. Today, the NAVY.COM web site averages over 24,500 visitors per day.

The advertising campaign is a key tool in increasing Navy's ability to attract recruits from both the college and the high quality diversity markets. For example, in recent months, we tested an accredited junior college marketing course centered on Navy recruiting. The test clearly showed this approach to be extremely helpful to recruiters' efforts to engage with junior college students and their influencers. We have also completed specific research in attracting African Americans who score in the top half of the AFQT, and the resulting advertising is in development for release in late spring or early summer. Finally, Navy's recognition of rapid growth in the Hispanic community has led to measured research resulting in messages that recognize the community's unique language, culture and areas of interest within Navy.

The success of our recruiting efforts, coupled with outstanding retention has allowed us to make some strategic reductions in both our advertising budget and the number of recruiters we have in the field. The FY04 budget request for recruiting advertising is \$87.9 million, essentially the same as the FY03 advertising budget. I feel comfortable with what amounts to a reduction in real buying power, but have asked recruiting command to closely watch for any

indication of a change in our overall recruiting success as we try to attract approximately 43,900 accessions in FY04.

National Call to Service. One final subject that falls under the category of recruiting is the National Call to Service (NCS) program. Navy is proactively engaged with the Office of the Secretary of Defense in developing NCS policies as we prepare to make this option available to those entering into an enlistment contract in FY04. As currently envisioned, NCS will be made available to approximately 450 of the FY04 accession mission across a variety of ratings. To qualify, participants must have no prior military service; meet existing physical, aptitude, and moral standards for enlistment; and be both a HSDG, possibly with some college, and score in the top half of the AFQT. Navy plans to make the program available to ratings that will best facilitate meeting out-year SELRES accession requirements.

- **Retention.** As important as new recruits are to our organization, we invest a great deal of resources in each Sailor's personal and professional development. It is imperative that we receive optimal return on that significant investment in people. Upon assuming his assignment as our Chief of Naval Operations in 1999, Admiral Vern Clark challenged Navy leadership to retain our best and brightest Sailors in order to achieve Navy's long-term personnel readiness success. In

fact, he made it his Number 1 priority! Increased retention results in reduced training costs, fewer recruiting requirements and, most importantly, improved mission readiness. The greatest challenge to retention is attrition - Sailors lost to the Service before fulfilling their service obligation. Historically, 10-15 percent attrition rates were the norm among initial-term Sailors. With renewed vigor, we are providing our people compelling reasons to stay early in their service, developing and mentoring every Sailor with an eye for potential productive performance, and providing them every opportunity to succeed. And we have been successful in this endeavor. For example, in Zone "A", attrition declined by 23% in FY02 alone. This means that we retained around 4700 Sailors with less than six years of service who would have been previously lost to our rolls. In the first quarter of FY03, we have already seen another 11% reduction in Zone "A" attrition, to 7.6%. Our vision is to cultivate a Navy-wide personnel climate that offers plentiful opportunities, encourages participation and is conducive to personal and professional growth.

Center for Career Development (CCD). Admiral Clark brought with him a new vision and directed establishment of a Center for Career Development to focus on improving retention and reducing attrition. Enhanced professional training for command retention teams and Navy Career Counselors, Career Decision Fairs (CDFs) for Sailors and their families, and comprehensive, user-

friendly, interactive products using the latest information technology are helping Sailors and their families to make informed decisions. Statistics show that the Stay Navy web site is becoming increasingly more relevant as it accrued over 889,000 visitors during CY02. Direct involvement of the CCD staff with command-level leadership continues to be the key to maintaining focus and shaping Navy's retention culture.

Reenlistments. Proactive and personalized leadership involvement, as well as across-the-board and targeted compensation initiatives, additional career choices and availability of quality career information have resulted in historically high numbers of Sailors deciding to stay Navy. While overall reenlistment rate improvements have been modest over the past two years, the trend continues to be positive as we are on track to attain FY03 Retention Targets.

Selected Reenlistment Bonus (SRB). Although substantial improvements in the quality of service have been obtained through items such as pay raises and housing allowance increases, the most important reenlistment tool we have is the SRB program. This force shaping tool allows us to pay bonuses to specific Sailors in return for an extension of time on active duty. Through constant and precise management of this program, bonuses are targeted to specific skill sets, taking into account overall retention of all members within that specific

skill and the cost-benefit of replacing an existing service member with a new recruit. The FY04 budget request for SRB new payments is \$192M, which should cover approximately 18,000 reenlistments. This year's submission also includes a request to raise the maximum bonus award ceiling by \$30,000 to allow much needed maneuvering room for our future efforts to retain the Navy's most critical and highly trained Sailors.

As a result of our enhanced retention and reduced attrition, we have achieved a relatively stable end-strength. This affords us the opportunity to concentrate on "shaping the force" in order to ensure Navy has Sailors with requisite skills who are properly placed, enhancing not only our daily mission accomplishment but also ultimately our overall combat readiness.

Perform To Serve. "Mission First, Sailors Always" is the concept behind the "Perform to Serve" (PTS) initiative. The Navy must balance its skill inventory with its billet requirements to optimize Fleet readiness. PTS will strive to accomplish this while simultaneously providing increased promotion opportunity and professional growth for today's Sailors. A significant improvement in reenlistments and reduced attrition, coupled with recruiting success, has presented us with an opportunity to improve the skill mix of our force. With PTS, we are centralizing reenlistment authority using a fully automated system that will align

Navy requirements and personnel by providing sailors with reenlistment options. While the majority of sailors will be granted reenlistment authority within their current rating, others will be guided to convert to undermanned ratings. In those cases requiring conversion, Sailors will be provided formalized training to ensure success in their new rating.

Lateral Conversion Bonus. The FY04 submission also includes a request to establish a new Lateral Conversion Bonus authority. Where PTS is focused at rating conversions at the end of a member's initial obligation, the lateral conversion bonus would be targeted at encouraging non-EAOS, career Sailors (second term and beyond) to convert to undermanned ratings. These types of conversions would help us retain valued experience while avoiding additional costs incurred by recruiting and training a new service member.

Active Reserve Force Mix. Another important element of force shaping concerns the overall active and reserve force mix. The CNO has initiated a major review to examine the desired active and reserve mix for the future, specifically addressing potential shortfalls and high demand-low density unit demands. To date, the major area of change in active/reserve force mix has been with Anti-terrorism/Force Protection personnel. To complement the 1,888 active members being converted into Master At Arms (MA) ratings (with a future goal of growing

the MA force to approximately 9,000), the Reserve force is growing an additional 3,085 MA's in order to meet the requirements of higher threat conditions.

Additionally, newly established Active Component Security Force assets are being created to provide a unit/point defense capability to the Fleet, a mission previously filled by Naval Reserve NCW forces. Integration of the Active Mobile Security force with existing Naval Reserve Coastal Warfare forces is underway.

TRANSFORMING SAILOR CAREER MANAGEMENT

Sea Warrior Project. Borrowing the name from CNO's overall concept for personnel development within the Sea Power 21 initiative, the Sea Warrior project is the key enabler that drives the systematic transformation of our current Manpower, Personnel and Training (MPT) Strategy to meet changing missions and workforce environments. It is a web-based, comprehensive, career management system, which incorporates current and future human resource products, including Task Force Excel (Excellence Through Education and Learning), Project SAIL (Sailor Advocacy through Interactive Leadership), and Improving Navy's Workforce, exploiting advanced technology and best business practices, to enable rapid sequential prototype development. A synchronization plan for an end-to-end transformation of Navy's Human Resource system began in July 2002 through a formal partnership between the OPNAV manpower and personnel directorate, Commander Naval Reserve Force, and the Naval Education

and Training Center, with collaboration of Navy Personnel Development Command, SYSCOM, Fleet representatives and Community Managers.

Just last week, we demonstrated the first Sea Warrior prototype, Career Management System (CMS), to the Chief of Naval Operations. CMS is a web enabled single entry point into a self-service information-rich environment. The system employs a market place approach incorporating dynamically applied monetary and non-monetary incentives to place the right Sailor in the right billet at the right time with the right motivation, resulting in an increase to combat/mission readiness.

We will continue refining milestones, focusing vital resources and leveraging investments in world-class information technology to realize the combined benefits of new technology and business best practices.

- **Distribution.** "Sailor Advocacy" aptly captures the fundamental philosophical change that we have injected into the distribution process. For example, seeking to give Sailors a stronger voice and greater control over their career decisions, we have fully implemented the "Team Detailing" program by establishing Command Teaming Coordinators who facilitate coordination between each command and Navy Personnel Command throughout an individual's detailing process. This

results, systematically, in better pairing of every Sailor with the right job. We are convinced that the pay off for Navy will be improved manning, an even more motivated force and increased readiness.

- **Assignment Incentive Pay.** We are just about ready to implement our new Assignment Incentive Pay (AIP) program that was authorized last year. AIP is intended to help attract qualified volunteers to difficult-to-fill jobs. Our initial pilot will be focused overseas in Naples and Sigonella, Italy and Misawa, Japan and will be structured in a format that will allow the market to drive the applicable level of financial incentivization (within established controls).

- **"Noble Eagle" Sailor Advocacy Team: Improved Mobilization.** Through our Noble Eagle Sailor Advocacy (NESA) team at Navy Personnel Command we are managing mobilized reserve personnel more professionally through inter-active career counseling and assistance. This team provides professional career management advice and assistance to mobilized members, and assists order writers through a database that reflects current career choices and preferences of mobilized members. We have also standardized and streamlined our mobilization and demobilization processing through the development of a new, web-based, Navy-Marine Corps Mobilization Processing System (NMCMPs), leveraging an existing and proven Marine Corps system and adapting it for use throughout DON.

POSITIVE NAVY EXPERIENCE

Sailor Satisfaction. The Navy is a positive lifestyle, which also becomes a lifetime influencer. Every Sailor, and former Sailor, as well as their families, are potential Navy recruiters. Our sea service is challenging, and deployments away from loved ones are never easy. We must make the naval experience a rewarding one—a period of time in which Sailors and their families embrace the Navy as an essential element of their identities. We must provide services that minimize the stress on them during deployments, enhancing their Quality of Life (QOL) when at home, and making the transition between the two less stressful.

The FY04 budget request includes \$473 million to continue Pay Table Reform for both active and reserves. Sailors will receive an average 4.1% increase in Basic Pay with some rates receiving slightly more, others slightly less (2% for E1s to 6.25% for E9s). The budget also includes \$210M to fund increased BAH rates and reduce out-of-pocket housing expenses to 3.5%.

- **Personnel Tempo (PERSTEMPO).** FY00 legislation established the PERSTEMPO program, the intent of which was for Services to improve the quality of life and retention of their service members by reducing/eliminating excessive deployments. Since implementation, we have been carefully managing

our Sailors time away from home, closely monitoring deployment periods consistent with operational requirements.

Although suspended by OSD following 11 September 2001, Navy has continued to track and report the deployments of its members throughout the national security waiver timeline. The following table provides detailed Navy (active and reserve) PERSTEMPO data based on including PERSTEMPO days accumulated during the suspension period (Included), as well as eliminating those days (Eliminated).

Suspension days	>=600	500-599	400-499	300-399	220-299	182-219	100-181	1-99	0	Total	400 & more	At least one ITEMPO day
Included	3,469	2,830	4,933	25,873	51,707	24,943	44,104	110,881	223,421	492,161	11,232	268,740
Eliminated	-	-	-	-	2,702	16,099	44,740	131,311	297,309	492,161	-	194,852

Data as of 10 JAN 2003

We strongly support the FY04 alternative legislative proposal that would replace the current PERSTEMPO HDPD of \$100 per day, with a progressive, monthly high deployment allowance of up to \$1000. The revised payment schedule fairly compensates members for both excessively frequent and excessively long deployments. The inclusion of both a "frequency piece" and a "duration piece" for the proposed high-deployment allowance is more reflective of Sailor hardships produced by "burdensome" deployments, especially since extended deployments often occur suddenly, in response to a crisis or war fighting necessity.

- **Fleet and Family Support Center Programs.** Navy Fleet and Family Support Centers (FFSCs) exist to provide services that facilitate fleet, force and family readiness. The primary mission is to assist commands in achieving operational readiness, superior performance, member retention and an optimal quality of life for service members and their families. Navy operates 55 FFSCs, providing services at 67 service delivery sites throughout the United States and nine foreign countries. A new Navy-wide marketing campaign that emphasizes specific programs and services is expected to steadily increase command, Sailor and family knowledge and use of services.

- **Morale, Welfare and Recreation (MWR).** Navy MWR continues to provide a wide array of recreation, social and community support activities at U.S. Navy facilities, worldwide. Our mission is to provide quality support and recreational services that contribute to the retention, readiness, mental, physical, and emotional well being of our Sailors. The estimated FY04 funding of \$843M (includes non-appropriated and appropriated funds) will provide active duty, reserve and retired Navy personnel and their families with sports and physical fitness activities, outdoor recreation, value-priced tickets to entertainment and tours, and a variety of food and beverage services. Child development and youth programs provide safe, affordable, quality childcare for over 44,000 children of Navy families. In an effort to meet the demands of our mission, to include

increased shift work, changing schedules, and deployments, the Navy has instituted a 24/7 childcare pilot in Norfolk and Pearl Harbor. Under this pilot project, childcare will be provided after hours and on weekends. MWR has been very active in supporting Sailors and their families and has focused its efforts in four key areas:

- support for deployed and isolated forces;
- child development and youth programs;
- the Navy Movie program; and
- entertainment/special events.

In the past year, Navy MWR has continued its rich tradition of offering Sailors and their families exceptional opportunities. We:

- Hired and assigned civilian Afloat Recreation and Fitness Specialists in major fleet units to provide state of the art programs and availability of fitness and recreation gear in deploying ships.
- Increased live entertainment opportunities for afloat forward-deployed personnel by 60%.
- Provided every Sailor a free phone card permitting Sailors to stay in touch over the holidays with loved ones back home.
- Initiated a "sneak preview" program allowing Sailors and their families to advance- screen major motion pictures. Provided early release videotaped

movies to ships in the Persian Gulf and Mediterranean Sea. Created "Theater-in-a-Box", a self-contained unit that takes videotapes, screens, and players direct to the front lines.

- Offered contests and special events through the "Saluting Sailors and their Families Program" in appreciation of the sacrifices of Navy personnel.
- Developed extended-hour childcare programs to help families cope with long hours and night shift work.

All these programs are aimed at improving the readiness and quality of life of our Sailors and their families to meet the challenges they face every day.

MWR is also a major contributor to retention by making the Navy lifestyle attractive to both married and single Sailors. MWR's focus on readiness and retention will become even more important in the years ahead. As Navy deals with the challenges of allocating limited resources, MWR will continue to show its value as a vital tool in helping retain the best Sailors and keeping them, and their families, physically and mentally fit.

- **Family Advocacy.** The Navy Family Advocacy Program (FAP) functions within Navy Fleet and Family Support Centers. This organizational structure provides maximum coordination of efforts at the installation level for families who are at risk of family violence and decreases the stigma associated with

seeking professional assistance. As such, the Navy provides a continuum of response to troubled families that is in keeping with recommendations in the Fort Bragg Epidemiological Report.

Navy FAP is also working closely with the Department of Defense and Service FAP Counterparts on implementation of Defense Task Force on Domestic Violence (DTFDV) recommendations. Navy FAP is increasing and formalizing partnerships in communities where Navy installations are located to increase access to services not provided by the military and to ensure seamless community coordination when responding to alleged family violence. Further, FAP has increased efforts to market the full range of prevention and intervention services available to Sailors and their families, which includes publicizing resources for domestic violence victims seeking information and confidential support. Navy FAP has also moved forward on Task Force recommendations pertaining to increased awareness, education and training.

- Spouse Employment Assistance Program. The Spouse Employment Assistance Program (SEAP) has made great strides in continuing to reach out to spouses seeking help in training and employment opportunities. Over 99,000 spouse contacts occurred at our 67 sites in FY02, and we intend to help even more spouses by increasing the number of contacts to over 100,000 in FY03. We also

engaged with the world's leading employment agency, Adecco to provide temporary and full-time employment and training for our spouses. Building partnerships will be our watchword this year as SEAP explores agreements with industry leaders and conducts forums on a local and national level to encourage mobile careers. Other initiatives include assisting spouses in updating professional credentials to meet state requirements, collaborating with detailers during the assignment process, and advising them of the potential for spouse employment in the assignment areas being considered.

TECHNOLOGY-BASED HUMAN RESOURCE SYSTEM

Human Resource Computer Programs. In concert with our deployment of a comprehensive Total Force Management Strategy, we have developed a supporting information technology strategy. Information technology is the essential enabler that must be employed quickly, efficiently and smartly to carry out the Total Force strategy, improve quality of service for Sailors, and achieve CNO's Sea Warrior vision. Much of the existing Navy Manpower and Personnel information systems infrastructure consists of a patchwork of stove-piped systems, some more than 25 years old, with duplicative collection and storage of data. These legacy systems are difficult to maintain, resistant to change, and expensive to operate. They hinder decision-making and represent a significant and unnecessary obstacle to our transformation efforts. If we hope to transform our

Force Management processes in order to provide our Sailors with the interactive web-based tools and training they need, we must first transform our information infrastructure.

- **Single Integrated Human Resource Strategy (SIHRS).** SIHRS is our vision and strategy for this transformation. It was developed in response to recommendations of the Recruiting, Retention, Training, and Assignment (RRTA) working group of the Revolution in Business Affairs (RBA), which found that many Manpower and Personnel functional problems result directly from systemic problems in the IT infrastructure. Designed to break down legacy stovepipes and respond to those systemic problems, the strategy is composed of essentially three parts: modernization of field collection systems, development of a single authoritative data source, and the reengineering and/or migration of applications to this authoritative data source. The vision/goal is single data entry to a single authoritative data source; icon driven access to integrated applications; self-service, wherever it makes sense; and broad access to data at all levels, from Sailors and their families to Commands and Headquarters. We have developed this strategy and we are working systematically to transform the Manpower and Personnel business and achieve the single integrated IT capability through business process reengineering, technology insertion, and by leveraging DoD and DoN enterprise initiatives. Implementation of this strategy will allow us to

streamline internal practices and provide unprecedented access for all of our customers. This access will dramatically reduce routine administrative requirements at headquarters and increase the quality of time spent focusing on communication and practices that result in providing the Fleet motivated, dedicated and combat ready Sailors. The Navy Human Resources Board of Directors (NHRBOD) has adopted SIHRS as the "Way Ahead".

- **Navy Standard Integrated Personnel System (NSIPS).** NSIPS is the Navy's initiative to consolidate active and reserve field personnel data collection systems into a single integrated personnel system. NSIPS has already deployed worldwide at 103 Personnel Support Activities or Detachments, 278 Reserve Centers, and 178 ships serving Navy active and reserve forces. This month, the web version of NSIPS will begin incremental deployment. When fully deployed (first quarter 2004), web NSIPS will allow approximately 600,000 users (with a projected daily user rate of 60,000 to 75,000 users) to access their personnel records. The Electronic Service Record (ESR) is being fully integrated into the web-enabled version of NSIPS. This initiative completely automates the service record and provides full electronic forms, viewing, and updates via NSIPS, providing a virtually paperless Field Service Record. ESR is scheduled for deployment in May 03. NSIPS is scheduled for final Milestone Decision this month, which will provide full Pay and Personnel functionality.

- The Defense Integrated Military Human Resources System (DIMHRS).

DIMHRS (Personnel and Pay) is a joint services program to provide a single, fully integrated, military personnel and pay system for all military components. DIMHRS goal is to provide the military services and their components the capability to effectively manage personnel across the full operational spectrum- during peacetime and war, through mobilization and demobilization capturing accurate and timely data throughout. DIMHRS will collect, store, pass, process, and report personnel and pay data for all Active, Reserve, Guard, and Retired personnel. It will provide Joint Commanders with access to accurate and timely data on the number, characteristics, location, and status of all deployed personnel. With the new system, actions such as changing personnel location, personnel status and unit assignment updates for a member of any Service or component could be accomplished by a servicing technician from any other Service or component. DIMHRS' scope encompasses core functionality required by all Services and any Service-specific functionality required to turn off their legacy systems.

Navy fully supports DIMHRS program objectives and considers it to be the Navy HR system of the future. DIMHRS will provide core personnel and pay functionality and a common Enterprise Resource Planning software platform, PeopleSoft Human Capital Management (HCM), for integration across Navy HR

functions. A governing principle of our IT strategy is to leverage the infrastructure to accelerate the transformation of Navy HR. This strategy capitalizes on DIMHRS enterprise software to extend industry best practices to Navy functions outside the scope of DIMHRS. To that end, we are currently engaged in data cleansing, Business Process Reengineering and prototyping to align our processes with the DIMHRS enterprise COTS processes. When fully developed, the PeopleSoft enterprise solution will enable Sailors to access their personal information, track their training and manage their career paths from their home, ship, or base-all through a web browser.

Over the past year, I have been engaged in a collaborative effort with PEO-IT, SPAWAR, SPAWAR Information Technology Center, Naval Reserve Force, Navy Personnel Command, and the Naval Education and Training Command to develop a plan to accelerate SIHRS, and the migration to a single integrated capability. The cornerstone of SIHRS, and the focus of the migration planning, is an architecture that provides a single authoritative source for all Manpower and Personnel data. The SIHRS migration strategy developed by this partnership will capitalize on existing acquisition programs and ease the Navy's transition to DIMHRS. DIMHRS current schedule calls for the replacement of Navy personnel systems by FY07. In the interim, we will use NSIPS and the Electronic Military Personnel Records System (EMPRS), the Navy's personnel

records repository, as the staging ground for the transition to DIMHRS. This migration strategy will position Navy Manpower and Personnel systems to transition to DIMHRS and allow us to work toward a single authoritative data source as the IT foundation for Sea Warrior in advance of DIMHRS availability. Consistent with CNO's direction, it will consolidate and reduce the number of legacy systems from 78 to 9 modernized systems.

- **Web-Enabled Systems.** Improved communications capability and web-enabling technology offer the opportunity to radically improve customer service and access to Navy HR data for headquarters, commands, individual sailors and Navy families. Industry has shown both the direction and the potential gains from enterprise adoption of web technology and data consolidation. As Task Force Web's Capstone Document notes, "while their [industry's] line of business processes such as manufacturing and supplier relations have been deeply affected, the true revolution is in administrative processes." Broad access to data is a key enabler for the Sea Warrior cultural change. The combination of NMCI and Task Force Web are establishing the foundation for Navy's goal of integrated and transformational data exchange and a web-based business and operations capability.

Navy's Task Force Web project team has cited our Task Force Web Team for its progress toward web-enablement. Six BUPERS applications have migrated to the Navy's pilot portal, an additional nineteen applications have achieved a basic level of web accessibility. These web applications are making available the information needed by sailors to track, manage and make decisions about their careers, and moving us toward a sailor-centric career management process.

Sailors are able to access their physical readiness test scores, performance summary records and promotion lists online, keep up-to-date on retention and distribution programs and incentives, and view and apply for jobs via the Web. In addition, the BUPERS Online Media-Modernization initiative, a collaborative effort between BUPERS and the SPAWAR Information Technology Center (SITC), has converted over 95% of all paper-based personnel, distribution, and manpower reports produced by mainframe systems to online access. The reports, which previously were available only in hard copy, represent an annual volume of 800 million lines of print. Currently, we have deployed a web-based Mobilization Tracking System with a centralized order writing capability for deployment at headquarters and Naval Reserve Activities. The system will replace a paper-based, manpower-intensive process and allow end to-end tracking of recalled/mobilized reservists as they move through mobilization and demobilization processes.

SUMMARY

I have informed my team that vision without execution is a recipe for disappointment; and that our number one customer is the Combatant Commander requiring combat capability when requested, anywhere in the world. Our Navy Sea Warriors deliver that combat capability. Our FY04 budget request fully supports our personnel policies and programs and will help to improve operational readiness and ensure mission success.

I look forward to the challenges that lie ahead, working with Navy and Defense leadership, under the direction of our Commander-in-Chief and with guidance and support from the Congress. The challenges are many, but the potential for success abounds. Together -- we must win; America and the free world are counting on it; and, they deserve nothing less than our total commitment.

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON ARMED SERVICES

SUBCOMMITTEE ON PERSONNEL

UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: "Department of Defense Total Force Transformation and Overview of
the Fiscal Year 2004 Military Personnel Budget Request"

STATEMENT OF: LIEUTENANT GENERAL RICHARD E. BROWN III
 DEPUTY CHIEF OF STAFF, PERSONNEL
 UNITED STATES AIR FORCE

13 MARCH 2003

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON ARMED FORCES
SUBCOMMITTEE ON TOTAL FORCE
UNITED STATES HOUSE OF REPRESENTATIVES
DEPARTMENT OF THE AIR FORCE



BIOGRAPHY

UNITED STATES AIR FORCE

LIEUTENANT GENERAL RICHARD E. "TEX" BROWN III



Lt. Gen. Richard E. "Tex" Brown III is Deputy Chief of Staff for Personnel, Headquarters U.S. Air Force, Washington, D.C. He serves as the senior Air Force officer responsible for comprehensive plans and policies covering all life cycles of military and civilian personnel management, which includes military and civilian end strength management, education and training, and compensation and resource allocation.

General Brown was commissioned through the Air Force ROTC program at Texas Christian University in 1970. He has commanded an operational fighter squadron, a composite wing and fighter wing, and the Air Force Personnel Center. A command pilot, General Brown has flown more than 3,500 hours in fighter and trainer aircraft, with 140 combat missions in Southeast Asia in the A-1 Skyraider.

EDUCATION:

- 1970 Bachelor of arts degree in psychology and history, Texas Christian University, Fort Worth
- 1975 Squadron Officer School, Maxwell Air Force Base, Ala.
- 1977 Master of arts degree in guidance and counseling, University of Oklahoma, Norman
- 1983 Distinguished graduate, Air Command and Staff College, Maxwell Air Force Base, Ala.
- 1987 National Security Management Course, by correspondence
- 1991 Air War College, Maxwell Air Force Base, Ala.
- 1993 Armed Forces Staff College, Norfolk, Va.
- 1997 Capstone, National Defense University, Fort Lesley J. McNair, Washington, D.C.

ASSIGNMENTS:

- 1. May 1970 - May 1971, student, undergraduate pilot training, Laredo Air Force Base, Texas
- 2. June 1971 - August 1971, student, A-1E combat crew training, Hurlburt Field, Fla.
- 3. October 1971 - October 1972, A-1E fighter pilot, 1st Special Operations Squadron, Nakhon Phanom Royal Thai Air Force Base, Thailand
- 4. October 1972 - May 1973, student instructor pilot, 3640th Flying Training Wing, Laredo Air Force Base, Texas
- 5. May 1973 - August 1977, T-37 instructor and flight examiner, 80th Flying Training Wing, Sheppard

Air Force Base, Texas

6. September 1977 - December 1977, A-7D student pilot, 355th Tactical Flying Training Wing, Davis-Monthan Air Force Base, Ariz.
7. December 1977 - January 1980, A-7D fighter pilot, 75th Tactical Fighter Squadron, and flight examiner, 23rd Tactical Fighter Wing, England Air Force Base, La.
8. January 1980 - August 1982, personnel staff officer, fighter assignments section, Air Force and Personnel Center, Randolph Air Force Base, Texas
9. August 1982 - June 1983, student, Air Command and Staff College, Maxwell Air Force Base, Ala.
10. July 1983 - October 1983, F-16 student pilot, 58th Tactical Flying Training Wing, Luke Air Force Base, Ariz.
11. November 1983 - May 1988, F-16A/F-16C fighter pilot and operations officer, 10th Tactical Fighter Squadron, later, Commander, 496th Tactical Fighter Squadron, later, Assistant Deputy Commander for Maintenance, 50th Tactical Fighter Wing, Hahn Air Base, West Germany
12. May 1988 - July 1990, Vice Commander, Warrior Preparation Center, U.S. Air Forces in Europe, Ramstein Air Base, West Germany
13. July 1990 - June 1991, student and class president, Air War College, Maxwell Air Force Base, Ala.
14. July 1991 - August 1992, Vice Commander, 56th Fighter Wing, MacDill Air Force Base, Fla.
15. August 1992 - June 1994, Chief, Air Operations Section, and Joint Operations and Plans Section, Supreme Headquarters Allied Powers Europe, North Atlantic Treaty Organization, Mons, Belgium
16. June 1994 - September 1995, Commander, 24th Wing, and Commander, U.S. Southern Command Air Forces Forward, Howard Air Force Base, Panama
17. September 1995 - May 1997, Commander, 354th Fighter Wing, Eielson Air Force Base, Alaska
18. May 1997 - June 1998, Director of Logistics, Headquarters Pacific Air Forces, Hickam Air Force Base, Hawaii
19. July 1998 - January 2000, Director of Joint Matters, Deputy Chief of Staff for Air and Space Operations, Headquarters U.S. Air Force, Washington, D.C.
20. January 2000 - August 2001, Commander, Air Force Personnel Center, Randolph Air Force Base, Texas
21. August 2001 - present, Deputy Chief of Staff for Personnel, Headquarters U.S. Air Force, Washington, D.C.

FLIGHT INFORMATION:

Rating: Command pilot
 Flight hours: Approximately 3,500
 Aircraft flown: A-1E/G/H/J, T-37, A-7D, F-16A/B/C/D and C-27

MAJOR AWARDS AND DECORATIONS:

Distinguished Service Medal
 Silver Star with two oak leaf clusters
 Defense Superior Service Medal
 Legion of Merit
 Distinguished Flying Cross with seven oak leaf clusters
 Meritorious Service Medal with three oak leaf clusters
 Air Medal with 12 oak leaf clusters
 Air Force Commendation Medal
 Vietnam Service Medal with three service stars
 Republic of Vietnam Gallantry Cross with Palm

OTHER ACHIEVEMENTS:

1976 Sheppard Air Force Base Instructor Pilot of the Year
1981 Outstanding Young Men in America
1991 Secretary of the Air Force Leadership Award, Air War College

EFFECTIVE DATES OF PROMOTION:

Second Lieutenant May 20, 1970
First Lieutenant Nov 20, 1971
Captain May 20, 1973
Major Nov 1, 1981
Lieutenant Colonel Mar 1, 1985
Colonel Oct 1, 1989
Brigadier General Oct 1, 1994
Major General Mar 20, 1998
Lieutenant General Oct 1, 2001

(Current as of October 2001)



INTRODUCTION

Mr. Chairman and distinguished Members of the Committee, it is a tremendous honor to appear before you to present our Air Force Personnel priorities on behalf of the dedicated men and women of the United States Air Force. Today, we are facing one of our greatest challenges--how we adapt to the new steady state of accelerated operations and personnel tempo. The Secretary of Defense understands we can't conduct business as usual; we must transform our forces for new and unexpected challenges. As part of our transformation process, senior Air Force leadership conducted a complete review of what makes us the preeminent air and space force in the world, our "Core Competencies." They agreed our institutional air and space core competencies are: *Developing Airmen, Technology-to-Warfighting, and Integrating Operations*. In Personnel, we concentrate on *Developing Airmen*. Currently, one of our top priorities is shaping our force content with the skills required to make optimal use of finite personnel resources. By concentrating on what constitutes core tasks, we will in turn provide leadership with the critical information needed to free up resources and realign those resources into stressed corewarfighting areas.

Developing Airmen: The heart of Combat Capability

The ultimate source of combat capability resides in the men and women of the Air Force. This competency is fundamentally about transformation--taking our nation's youth, our citizenry, and shaping them into airmen-warriors. These aspirants represent the full range of our nation's diversity of culture and geography. Diversity of thought and experience at all levels of the organization unleashes the talents of the total workforce to guard America with patriotism, intelligence, and passion. In spite of disparate backgrounds, these young people grow into one team made up of young airmen and officers. They embrace and internalize our Core Values.

They leave behind that which they were and become, first and foremost, America's Airmen. The Air Force helps shape their identity and becomes a way of life. Our civilians also undergo a transformation from mere employees--holders of a job--to civilian airmen who share our core values and our ethos of service. Our Total Force of Active, Guard, Reserve and civilian personnel represent a large and long-term investment and our most critical asset. While we do this better than anyone, we are currently facing several challenges in getting the right person, with the right training, to the right place at the right time in support of our national security mission.

Challenge: Adapting to New Steady State Workload and TEMPO

The number one crisis we face is "Adapting to the New Steady State" which has both PERSTEMPO/WORKTEMPO & skill mix dimensions. The current OPSTEMPO is driving personnel pressures causing uneven workload and deployment taskings. To meet mission requirements after September 11th, we mobilized the Air Reserve Component (ARC) and implemented Stop Loss. Both mobilization and Stop Loss are very serious actions that pose many difficult challenges for our people and their families. We intentionally built in ARC capability as part of our Total Force construct to be used when Air Force mission taskings exceeded the capacity of Active Component forces and available ARC volunteers. We mobilized ARC units according to these deliberate plans. In addition, we activated Stop Loss to enhance our "steady state" accession and retention programs to give us time to fill units with adequate numbers of people possessing the requisite skills and experience needed to operate successfully in the new expeditionary steady state environment. As we adapted to the current OPSTEMPO after the tragic events of September 11, we began to demobilize. However, there are areas where the ARC continues to meet Air Force mission needs through extensions of its

members, in critical specialties, into their second year of mobilization as we continue to prosecute the Global War on Terrorism.

The Air Force remains committed to returning our ARC members to their roles as citizen-airmen. For each new mobilization order or extension request, we now require the gaining command to develop and submit to the Assistant Secretary of the Air Force for Manpower and Reserve Affairs (SAF/MR) a plan for accomplishing assigned tasks without reliance on long term ARC mobilization. Our current plan is to fill the majority of future requirements with active duty, ARC volunteers and limited period mobilization. If world conditions escalate to a higher level, we plan to invoke Stop Loss for selected career fields beginning with the most stressed.

We are carefully reviewing our Air Force active end strength to ensure it is sufficient to meet missions; we know we have skill mix challenges. To meet these challenges, the Air Force is conducting an extensive manpower review. We critically scrubbed all our functions to determine which ones are needed for success on the battlefield to fulfill our role as being truly expeditionary and deployment-based. We identified candidate positions to help resolve the stressed military career field problem and begin to buy-down manpower requirements associated with new or growing missions in the Global War on Terrorism. The additional cost to implement these new requirements is under active consideration within our Air Force corporate structure. Over the long term, we ultimately envision that conversion of substantial numbers of military Air Force positions to civilian or contract will enable us to realign military end strength to satisfy our core competency requirements--*Developing Airman, Technology-to-Warfighting, and Integrating Operations*. The result will be an Air Force that "transforms" into a more

flexible, higher tech force -- postured for 21st century warfare, and consisting of the right total force mix of Active Duty, Reserve, Guard, government civilian, and contract personnel.

Parallel to this review, we developed a formula to quantify stress in each career field. This tool provides the analytical foundation to allow us to begin redirecting manning to the most critical specialties, increasing our training pipelines and expanding our schoolhouses where needed. In addition, we've aggressively pursued accession adjustments during FY02/03 to increase manning in the most stressed specialties. The ARC has identified the need to shift more traditional Reservists and Guardsmen to full-time status in critically manned career fields (e.g. Security Forces). To relieve the significant burden placed on our Security Forces, both in-garrison and deployed locations, the Secretaries of the Army and Air Force signed a Memorandum of Understanding in December 2002, to deploy Army National Guard and Reserve Forces to augment USAF force protection operations worldwide for a period of two years. The temporary authority provided in the FY03 NDAA for contractor performance of security-guard functions has helped us meet our increased requirements since September 11, and we thank you for the much needed flexibility. We would appreciate your continued support to allow us to contract for the performance of a firefighting function for a period of one year or less to fill vacant positions created by deployed military fire fighters. The end result of our actions is to ensure we have a ready, trained force available to meet the mission needs.

We are also reviewing our manpower requirements determination program in an effort to streamline processes and align with the Air Expeditionary Force construct. This new effort will incorporate a quicker method of determining manpower requirements that focus on wartime capabilities first, and then work back to the home station peacetime requirement. The process

turns around our current cold war in-garrison focus and adapts to the expeditionary nature of today's operations. This will give us increased visibility to any shortfalls or deficiencies in required capabilities. The Secretary of the Air Force has also begun an innovative effort to examine the distribution of airmen assigned to organizations outside the Air Force.

These, and similar initiatives will show us how to adapt our force to the demands of the Global War on Terrorism, or, alternatively, to provide the compelling rationale needed to justify any increase in end strength. The bottom line is we must reengineer, reorganize, reinvent, rework and revisit how we utilize Active Duty military, ARC, civilians, and contractors.

Civilian Issues:

Since 1989, we've eliminated or realigned over 100,000 positions as we downsized our civilian force. We constrained civilian hiring to minimize the impact of downsizing on our existing employees. We now have a civilian workforce that requires refreshing and re-skilling. Within five years, approximately 42% of the officer equivalent civilian force will be eligible to retire either through voluntary retirement or early out--an estimated 20% of this force will retire by 2005.

The Air Force is finding it challenging to retain its mid-career employees and to attract younger candidates who possess state-of-the-art technical skills. In addition to positions that have been traditionally hard-to-fill (environmental engineers, bench scientists, medical personnel), we are finding it difficult at specific locations to recruit support personnel such as contracting specialists and aircraft mechanics. One of the factors contributing to civilian recruitment and retention

problems is the civilian personnel management system. The current system was developed to meet the challenges of the early twentieth century and cannot quickly or adequately respond to the needs of the twenty first century. The hiring process, classification system, pay authorities and performance management programs reflect a different, less technical environment and impede our ability to recruit and retain the best and the brightest.

For several years now, the Department of Defense has been actively testing many management flexibilities, such as pay banding, pay for performance and simplified classification. Acknowledging the success of the demonstration projects and alternate personnel systems, the Under Secretary of Defense for Personnel & Readiness began a review of personnel management flexibilities already in use within the Federal Government. Multi-Component, multi-functional work teams and senior functional executives completed this year long review that identified "best practices"--those with the highest rate of success. The Department is now reviewing how to incorporate these best practices.

Challenge: Creating Air And Space Leaders for the 21st Century

Force Development is a concept that will guide our investments in human capital. To prepare for the future more ably, we introduced a systemic, deliberate force development construct that develops professional airmen to instinctively leverage their respective strengths in concert. We envision a transition in Total Force development from rigid, "one size fits all", functionally independent career path pyramids to a flexible, competency-based, deliberate development model that rests on institutional needs and requirements and responds to corporate guidance. The Force Development construct is focused on the systematic, deliberate development of the necessary occupational skills and enduring competencies required to be an effective leader in

today's and tomorrow's expeditionary air and space force. As we transform our Cold War structure into an Air and Space Expeditionary Force, it follows that we transition the way we train, educate, promote and assign our Total Force for the contingency world we find ourselves in today. Training and development are critical to this transition. Our goal is to invest in all ranks, according to institutional requirements—a significant improvement over today's approach—to prepare us for the future.

Force Development will be executed in three parts--Officer, Enlisted, and Civilian across the Active and Reserve components. The construct focuses on training, education, and experience, with special focus on how we assign a member to gain that experience. We will tailor each program to meet the different needs of our varied career paths. We will also design each development program to insure the individual's experience emphasizes a breadth of exposure to the Air Force mission while focusing on the depth of experience an individual needs to perform in his or her functional area of expertise.

Education and Technical Training: Emphasis on Joint Leadership/Warfare

We've been able to meet current challenges and take advantage of advancing technologies because of our investment in education and training. Initial investment and reinvestment in aggressive and innovative initiatives to enhance the abilities and breadth of our force are the keys to our success.

Force Development provides individuals with tailored, connected education and training. It focuses on three levels: 1) Tactical--gaining knowledge and experience in primary skill, combined with education and training experiences; 2) Operational--continued widening of

experience and increased responsibility within a related family of skills; and 3) Strategic-- breadth of experience and leadership perspective at the joint, inter-government and international levels.

We will develop programs that provide our airmen the opportunity to pursue skill sets and experiences through regional and international study degree programs, foreign languages, and overseas assignments. The Air Force Chief of Staff recognizes we need to produce airmen who are professionally diverse. In his words:

“The global war on terrorism reinforces the reality that future missions and contingencies will require greater sophistication and understanding of our international security environment. Just as we need pilots, intelligence specialists, satellite operators, and jet engine mechanics, our expeditionary force requires airmen with international insight, foreign language proficiency and cultural understanding. To be truly successful at sustaining coalitions, pursuing regional stability and contributing to multi-national operations, our expeditionary forces must have sufficient capability and depth in foreign area expertise and language skills.”

To keep abreast and to prepare for future needs, we increased our funding for graduate education at the Air Force Institute of Technology (AFIT), the Naval Post Graduate School, and civilian institutions beginning in the summer of 2003. Also in August 2002, we initiated the enlisted to AFIT Program. This program offers commanders a diverse and renewable resource of highly proficient career airmen, technically experienced in career field service and highly educated through resident graduate degree programs, contributing to greater innovation and improved readiness. Another important tool is Advanced Distributed Learning. This program efficiently delivers agile and flexible training and is our “training multiplier.” It provides our expeditionary

forces anytime, anywhere training using various delivery methods including CD-ROM, paper-based, web-based and satellite.

Challenge--Sustaining our Recruiting and Retention Successes

The current recruiting and retention initiatives are imperative to replenishing our force, and they must be fully funded or we risk failing to meet our goals. Our greatest recruiting competition comes from colleges offering numerous financial incentives. In addition, the general public has less military experience than past generations, which makes recruiting more challenging. Increases in advertising, an expanded recruiting force with broader access to secondary school students and competitive compensation prepare the Air Force to meet its recruiting goals. We achieved our FY02 enlisted recruiting goals, although we fell short in our technical areas, and are currently on target to meet our goal for FY03. For officers, we have met our overall recruiting goals; however, we continue to fall short in scientists and engineers.

Because about one third of our force is eligible to reenlist each year, we continually have an opportunity to influence their decision at key career phase points *to or not to* reenlist. There are numerous intangible factors such as leadership and job satisfaction, and tangible factors such as pay and compensation and quality of life issues that affect an airman's decision, which we must constantly and proactively manage.

For FY02, officer and enlisted retention rates are slightly inflated due to Stop Loss. Our retention is healthy; however, we must continue to monitor our stressed career fields and provide adequate compensation and quality of life initiatives to maintain our capability. Although the current economy doesn't have the pull it did pre-September 11th, we anticipate the high

OPSTEMPO/WORKTEMPO will affect our members' career decision in all components. We are addressing the tempo issues and will continue to monitor pay and compensation as they play a vital role in retaining our enlisted force.

To compensate members for increasing levels of deployments, the FY01 NDAA mandated the services pay a high deployment per diem amount of \$100 per day with a progressive monthly allowance. However, the Services suspended payment due to the Global War on Terrorism, and pursuant to the Presidential declaration of a National Emergency. As we continue to track tempo, we find that there has been a significant increase in tempo levels across the Total Force when comparing levels from FY01 to FY02. For example, on average those who were away from home station were gone 38 days in FY01 and 48 days in FY02 (21% increase). Further, in FY01 crews from only six of our 38 major weapon systems were away from home station above 25% of their available time. In FY02 that number increased to 17. Reserve components have seen similar increases. For the ANG there was an increase in days away from home station from 34 to 74 between FY01 and FY02. In the same timeframe the Air Force Reserves increased from 35 to 66 days. According to our data, if High Deployment Pay were in affect today, 1586 Total Force personnel (519 Active Duty, 403 ANG, 664 Air Force Reserve) would receive High Deployment Pay.

We ask your support in changing the current law to provide the flexibility to compensate members for long and or frequent deployments at thresholds that better meet the Service's unique mission requirements. Our proposal would range from \$100-\$600 per month; eliminate the current 182-day and 211-day thresholds; and reduce the level of oversight required to the first general in the member's chain of command.

Retention remains a concern for active duty officers in key specialties. The continued downturn in airline hiring will help slow the pull of our experienced pilots to the airlines; however our pilot shortage is projected to continue for at least the next decade until we fully realize the effects of the ten-year active duty service commitment for undergraduate flying training and increased pilot production. We've been able to fill the gap caused by the pilot shortage with navigator rated expertise. Navigators, backfilling for pilots raised overall rated Headquarters level staff manning from 58% to 76%. However, 48% of the current navigator force will be eligible to retire within the next four years. We are closely monitoring navigator retention and distribution, especially large numbers of senior navigators on the rated staffs currently or soon to be retirement eligible as well as low production year groups. In addition, we have an acute problem with Air Battle Managers driven by extraordinarily high OPSTEMPO.

The Air Force has taken a number of steps to address rated shortfalls. We increased the pilot training Active Duty Service Commitment to 10 years (8 years prior to 1 Oct 99) and pilot production to a steady state of 1,100 new pilots per year. Legislation such as the Permanent Rated Recall program has allowed nearly 260 pilots to return to active duty in FY 02, helping to offset rated shortfalls. Bonuses continue to be an effective tool in retaining our members. For the first time, we are offering Aviation Continuation Pay (ACP) in FY 03 to select groups of active duty navigators and Air Battle Managers and continue to offer aviation continuation pay bonuses to pilots who have completed their initial pilot training Active Duty Service Commitment. In addition, we implemented in FY 03 the Critical Skills Retention Bonus (CSRB) authorized by the FY 01 NDAA for the "Big 5" active duty officer specialties (Developmental Engineers, Scientists, Acquisition Program Managers, Comm/Info, and Civil Engineers). The

Air Force now is offering \$10,000 per year up to four years to eligible officers who agree to an Active Duty Service Commitment contract; we expect retention to improve by 15% or more as a result

In Apr 02, the Air Force completed its initial "re-recruiting" the force test program. The program concentrated on developmental engineers entering critical career decision points. The Air Force is institutionalizing the "re-recruiting" program and expanding it to other critical Air Force specialties such as Air Battle Managers and Acquisition Managers.

Quality of Life

How our airmen perceive their quality of life directly and fundamentally impacts recruiting and retention. We place intense demands on our mission-focused Total Force and it is imperative that we provide our airmen and their families with the quality of life they have earned and deserve. We are reviewing our manning and workload to realign resources across the Air Force to alleviate stress on our high demand assets. We seek to improve workplace environments; provide fair and competitive compensation and benefits; provide safe, affordable, and adequate housing; enhance community and family programs; improve educational opportunities; and provide quality health care, as these have a direct impact on our ability to recruit and retain our people and sustain a ready force.

We thank Congress for approving another significant overall pay raise to include targeting for our military personnel in the FY03 NDAA. We support the proposed pay raise for FY04 plus targeting. Targeted pay is important in meeting our toughest retention challenges. In addition, you improved the Basic Allowance for Housing (BAH) rates effective 1 Jan 03, based on 7.5%

out-of-pocket for the National Median Housing Cost for each grade and dependency status, continuing toward our goal of eliminating out of pocket expenses. The FY03 NDAA also authorizes increases in minimum caps on health profession special and incentive pays, increases to reserve component prior service enlistment bonus amounts, and several additional travel and transportation entitlements that will continue our effort to reduce other out-of-pocket expenses for our military personnel. These critical compensation initiatives are keys to meeting our retention challenges, and directly improve the readiness of our force.

The FY03 NDAA also provides many TRICARE initiatives designed to improve the quality of service for our beneficiaries. The FY03 NDAA extends TRICARE eligibility to reserve dependents residing in remote locations without their reserve sponsors. Additionally, eligibility for the TRICARE Dental Program is expanded to surviving dependents, providing much needed dental benefits to surviving family members. It also approves the use of Medicare providers as TRICARE providers, expanding provider availability to improve beneficiary access to care.

Providing safe and adequate housing enhances readiness and retention. The FY03 NDAA included \$125M to construct and renovate more than 1,500 rooms toward the Dormitory Master Plan. Our FY04 budget includes nearly \$190M to construct and renovate another 1,900 rooms. We are on track to provide all unaccompanied E-1s to E-4s private rooms on base by 2009. The FY03 NDAA also included more than \$680M to replace, improve, and privatize nearly 8,500 family housing units. The FY04 budget request includes \$700M to replace, improve, and privatize another 10,500 units. With the exception of only four US locations, the AF will meet OSD's goal to eliminate inadequate housing in the US by 2007.

Programs like child development, child-care, youth programs, fitness centers, libraries, skills development, clubs, golf courses, and bowling centers all offer programs and services that support and enhance the sense of community and meet our members' needs for relaxation and stress reduction. The Air Force invested nearly \$211M in fitness centers between FY00-03 and will continue this focus with more than \$40M in FY04. The Air Force supports its families by setting the standard in providing affordable, quality child-care in child development centers, school age programs, and family child-care homes. Air Force childcare centers and all of its before- and after-school programs for children 6-12 are 100% accredited. Over the last 2 years, the Air Force expanded its family child-care program so it can offer free emergency child-care for its members who have to work late, on the weekends, or who experience shift changes. This program also serves parents who are assigned to missile sites and need around-the-clock care. The most recent variation of this program, spurred by Operation Enduring Freedom, provides a limited number of hours of free child-care for members who are returning home after an extended TDY. Beyond these benefits, on-base programs are part of the non-pay benefit system providing savings over the cost members would pay to receive similar services off base.

We strongly support voluntary education; we increased tuition assistance from 75 to 100%, provided distance-learning initiatives through the Air Force Portal and civilian institutions, and increased Learning Resource Centers at forward deployed sites. In addition, the FY02 NDAA provided the transfer of educational benefits to family members; we began a one-year test program on 26 Sep 02 to select career fields.

The Air Force continues to support the commissary and exchange as vital non-pay compensation benefits upon which Active Duty, retirees, and Reserve component personnel depend.

Commissaries and exchanges provide: value, service, and support; significant savings on high quality goods and services; and a sense of community for airmen and their families.

Taking a more collaborative approach to community and family service delivery, we created the Community Action Information Board and Integrated Delivery System working groups at Air Staff, MAJCOM, and Installation levels. The Community Action Information Board brings together senior leaders to review and resolve individual, family and installation community issues that impact military readiness and quality of life. The Integrated Delivery System working group brings together all community and family agencies to ensure our military members and their families have access to the services and activities they need. We continue to encourage the use of Air Force CROSSROADS as an excellent tool to promote community and family programs: www.afcrossroads.com.

Challenge: Seamless Integration of Total Force

We've already touched on the fact that the Guard and Reserve are fully integrated partners of the Air Force – and that we are interdependent on each other for mission accomplishment.

Operationally, we've seamlessly integrated the ARC into our business. We've created unit equipped, associate, and blended units and we'll continue to innovate. We must review and streamline the process of mobilization and volunteerism to facilitate the utilization of our ANG and Reserve members. It is important to destroy the Cold War paradigm (and lingering perceptions) of the strategic reserve "weekend warrior." The next step is to revise our laws, policies and practices to accommodate the new steady state of the ARC.

The Air Force is working to identify the right force mix and capability to maintain in the Active, Guard and Reserve. The new steady state will require examination of capabilities spread between the Active Air Force and the Air Reserve Components (e.g. MC-130s, AWACS, CSAR, etc). For example, of the Total Force realignment of scarce Low Density/High Demand resources, the 939th Rescue Wing's HC-130s and HH-60s will transfer to the Active component in order to reduce the PERSTEMPO in the Low Density/High Demand Combat Search and Rescue (CSAR). The transfer of these assets to the Active component increased full-time personnel without increasing already high volunteerism rates or having to mobilize a significant number of CSAR Reservists. The activation of the 939th Air Refueling Wing, Portland, OR, addresses the need for more aerial refueling assets on the West coast enhancing our ability to rapidly respond to any crisis. The Air Force continues to review our force mix.

Another key component in our strategy is to reduce the complexity of reserve force volunteer employment. Our process should consist simply of validating the requirement, and identifying the reserve resource to meet mission demand, whether that is through volunteerism or mobilization for wartime surge. We are reviewing these issues to determine the optimal use of our Active military, ARC, civilian and contractor mix.

Challenge: Transformation of Air Force Business Practices

The process of transformation begins and ends with people. We are confident in the ability of our warriors to innovate, adapt and lead the enemy in development of operational concepts, doctrine and tactics. Implementing the warfighter's visions through development and delivery of forces, systems and support demands equal flexibility and agility in the Air Force's business operations—our personnel, finance, acquisition, technology, and supply systems. If we are to

keep pace with and support innovation in the methods and modes of air and space combat, we must break out of “industrial-age” business processes and embrace “information-age” thinking

In other words, we must be as business efficient as we are combat effective. We seek—relative to today’s status quo:

- An improvement in the effectiveness of operations resulting in higher customer satisfaction ratings;
- A reduction of average process cycle time by 75%;
- Work processes and work loads enabling our people to accomplish routine (non-crisis, non-exercise) organizational missions within a 40 to 50 hour work week;
- Empowerment of personnel and enrichment of jobs; and
- A 20% shift in business operations resources (dollars & people) to warfighting operations and new/modern warfighting systems.

Fundamentally transforming our application of technology, concepts and organizational structures will produce dramatic results. This departure from business as usual is not a luxury, but a necessity. While we are not a business, many of the challenges we face have been met and mastered in America’s private sector. We must adopt their best business practices, “de-layer” our organization, push decisions down to the level best able to make the call, and manage for results.

Summary

The Air Force is the master of warfare in the domain of air and space. We are stressed by the challenges of asymmetric threats, but adapting and innovating to meet these challenges and guarantee success. Regardless of AEF deployment or home station missions, our airmen

accomplish their duties with firm commitment and resolute action. We, in turn, are taking action to shape our Force for the future under an innovative competency-based force development construct focused on our core competencies. We do this because we know whom we do it for – those who cannot help themselves and those who defend and cherish freedom.

The Global War on Terrorism has imposed a new steady state of radically accelerated operations and personnel tempo as well as a demand for unprecedented speed, agility, and innovation in adapting to unconventional and unexpected threats. While our tools and technology are impressive, it is our airmen who will fight and win the nation's wars.

We will continue to rely on Congress as we seek to improve and innovate the Total Force to meet the challenges of the “new steady state.”

NOT FOR PUBLICATION
UNTIL RELEASED BY
THE HOUSE ARMED
SERVICES COMMITTEE

STATEMENT OF
LIEUTENANT GENERAL GARRY L. PARKS
UNITED STATES MARINE CORPS
DEPUTY COMMANDANT FOR MANPOWER AND RESERVE AFFAIRS
BEFORE THE
TOTAL FORCE SUBCOMMITTEE
OF THE
HOUSE ARMED SERVICES COMMITTEE
ON
MARCH 13, 2003
CONCERNING
TOTAL FORCE TRANSFORMATION AND OVERVIEW
OF FY04 PERSONNEL BUDGET REQUEST

NOT FOR PUBLICATION
UNTIL RELEASED BY
THE HOUSE ARMED
SERVICES COMMITTEE

Lieutenant General**Garry L. Parks****Deputy Commandant for Manpower and Reserve Affairs**

A native of Pennsylvania, General Parks graduated with a Bachelor of Science degree from The Citadel in 1969.

After completing The Basic School, he was assigned to the 1st Marine Division in the Republic of Vietnam, where he served as a platoon commander and company executive officer with the 1st Reconnaissance Battalion. Next, General Parks served as a company commander with 2d Battalion, 3d Marines, and later as aide-de-camp to the Commanding General, 1st Marine Brigade, Kaneohe Bay, Hawaii. During this tour he earned a Master of Arts degree from Pepperdine University.

Following duty as a company commander at Marine Corps Recruit Depot, Parris Island, S.C., from 1973 - 1976, General Parks attended the Infantry Officers Advanced Course, Fort Benning, GA., where he graduated on the Commandant's List. Reassigned to Okinawa, Japan, in 1977, he again served as a company commander, and later Battalion Landing Team S-4, with 2d Battalion, 9th Marines.

From 1979 to 1981, General Parks was a company officer at the U.S. Naval Academy. He next attended the Marine Corps Command and Staff College, being designated an honor graduate. From 1982 -1985, General Parks was Commanding Officer, Recruiting Station, Raleigh, N.C., followed by an assignment as the Joint Program and Budget Coordination Officer in the Requirements and Programs Division, Headquarters, U.S. Marine Corps.

Graduation with a Master of Arts degree from the Naval War College in 1987 preceded an assignment to the 1st Marine Division, initially as Executive Officer, 5th Marines, and then from 1988-1990, as Commanding Officer, 2d Battalion, 5th Marines. Reassigned back to Okinawa, Japan in 1990, he first served as Officer in Charge, III MEF Special Operations Training Group, then in 1991 he became Commanding Officer, 9th Marines and, concurrently, Camp Commander, Camp Hansen.

Following executive course at the JFK School of Government, Harvard University in 1993, General Parks was assigned as Director, Marine Corps Presentation Team, and subsequently as Chief of Staff, Marine Forces Pacific, Camp H.M. Smith, Hawaii. Next, he served as Commanding General, Marine Corps Recruit Depot/Western Recruiting Region, San Diego, CA. from 1995-1997. Reassigned to the Pentagon, he then served as a Deputy Director for Politico-Military Affairs on the Joint Staff. Most recently, General Parks was Commanding General, Marine Corps Recruiting Command from 1998-2001.

His personal decorations include the Defense Superior Service Medal, Legion of Merit, Bronze Star Medal with Combat "V", Meritorious Service Medal, Navy and Marine Corps Commendation Award, Navy Achievement Medal and Combat Action Ribbon.

Chairman McHugh, Congressman Skelton, and members of the Subcommittee:

I am honored to appear before you today to provide a personnel overview on the United States Marine Corps. The continued commitment of the Congress to increasing the war fighting and crisis response capabilities of our Nation's armed forces and to improving the quality of life of Marines is central to the strength that your Marine Corps enjoys today. We thank you for your efforts to ensure that Marines and families are poised to respond to the nation's call in the manner Americans expect of their Corps.

INTRODUCTION

As you well know, Marines are fully engaged around the world proudly meeting our commitments in support of National Security requirements. Today 63 percent of our operating forces are forward deployed. In support of this and other requirements, 16,994 Reserve Marines are mobilized. As with all the Armed Forces, it is a demanding time for the Corps. However, this is what Marines train for and this is why we serve, to be ready to answer our nation's call. As busy as we have been, and are today, indicators for the health of the Corps remain strong.

- Our superb recruiters continue to meet their mission, as they have month after month for the last 7-1/2 years.
- As has been the case for the past 9 years, we are on track to meet our annual retention goal for first term Marines electing to become members of the career force. This year, 6,014 first term Marines will reenlist, 26% of the eligible population.

- Last year we implemented specific targets for subsequent retention within the career force to further manage the health of our Corps; targets we met. We are well on our way to meeting the FY03 career force retention goal of 6,172.
- Last year we achieved an 18-year high in officer retention, 92.8%.

Obviously, the recognition of and support by the Congress to ensure reasonable pay and compensation improvements provides the environment crucial to the success experienced to date.

The end strength increase for the Marines Corps authorized by Congress for FY03, to 175,000, complements the demanding environment we face. By the end of this fiscal year we will essentially complete the "making" of these additional 2,400 Marines, allowing for redistribution of the Marines pulled from other requirements to activate the 4th Marine Expeditionary Brigade (Anti-Terrorism).

The fiscal year 2004 Budget funds a force of 175,000 active duty Marines and 39,558 reserve Marines. Roughly, 62 percent of our Manpower Personnel budget funds basic pay and retired pay accrual. Essentially all of the remaining funds address regulated and directed items such as Basic Allowance for Housing, Defense Health Care, Subsistence, Permanent Change of Station relocations, and Special and Incentive pays. Only one percent of the Manpower budget is available to pay for discretionary items such as our Selective Reenlistment Bonus, Marine Corps College Fund recruitment program, and Aviation Continuation Pay. While this is a manageable amount, it is one with little flexibility.

The Marine Corps appreciates the efforts by this committee to raise the standard of living for our Marines. Being a Marine is challenging and rewarding. America's

youth continue to join the Marine Corps, and remain, in a large part because of our institutional culture and core values. However, it is important that the environment – the other factors in the accession and retention decision – remain supportive, to include compensation. Compensation is a double-edged sword in that it is a principle factor for Marines both when they decide to reenlist and when they decide not to reenlist. Private sector competition will always seek to capitalize on the military training and education provided to our Marines – Marines are a highly desirable labor resource for private sector organizations. The support of the Congress to continue reasonable increases in basic pay, eliminating “out of pocket” expenses associated with the Basic Allowance for Housing, and ensuring sound compensation and entitlements will greatly assist efforts to recruit and retain the quality Americans you expect in your Corps.

RECRUITING

In FY02, the Marine Corps realized unprecedented recruiting success, achieving 102.6% of enlisted contracting and 100.1% of enlisted shipping objectives. Over 97% of those shipped to recruit training were Tier 1 high school diploma graduates, well above the Department of Defense (DoD) and Marine Corps standards of 90% and 95%, respectively. In addition, 69.6% were in categories I-III A; again well above the DoD and Marine Corps standards of 60% and 63%, respectively. For officers, over 100% of objectives in all categories were achieved.

The Marine Corps is grateful to the Congress for the legislation enabling recruiter access to high school student directory information. As a result, the number of high schools not providing directory information has decreased 99%. America’s youth can

learn of career opportunities in both the public and private sectors now that our recruiters are afforded access equal to other prospective employers. We look forward to your continued support as we strive to meet the increasing challenges of a dynamic recruiting environment.

The key tenants of our FY03 recruiting strategic plan are:

- Exploiting success through focused leadership; selecting the Corps' best for recruiting duty and innovative marketing;
- Achieving the next level of organizational efficiency and effectiveness with a renewed emphasis on fiscal accountability and comprehensive organizational review and restructure;
- Recruiting our own recruiters, by making recruiting duty a place where Marines want to be assigned; and
- Improving safety and quality of life for Marines and families.

Exploiting Success

The Marine Corps' recruiting environment is dynamic and challenging, particularly as regards market propensity. Nevertheless, we have met the challenges of this dynamic environment for 7 ½ years and we plan to "Sustain Success," the motto for our strategy. Our success, as we face the challenges of the future, will hinge on our ability to overcome the low propensity of our target market that enlist and the increased cost of advertising, while maintaining innovation in our marketing campaign. Marketing by its very nature requires constant change to remain virulent and relevant. While our brand message of "Tough, Smart, Elite Warrior" has not changed in theoretical

perspective, the Corps continues to explore the most efficient manner to communicate and appeal to the most qualified young men and women of the millennial generation; our target market.

This year, as in the past, our core programs that generate leads and provide effective sales support materials are augmented with several innovative programs. The new Marines.com website is already attracting attention and recently received a Gold "ADDY" award from the American Advertising Association in the Southeast regional competition. The new Public Service Announcement, "Origins," was also recognized with a Bronze "ADDY" award in the same competition.

All aspects of our marketing strategy encompass diversity. It is this approach, combined with exploiting success of past years, that will sustain success in FY03.

Achieve the Next Level of Organizational Efficiency and Effectiveness

The structure of our recruiting organization is an essential foundation for success, particularly in operating effectively and efficiently. Therefore, we have completed the reorganization of Marine Corps Recruiting Command (MCRC) Headquarters to mirror that of our subordinate commands and other operational commands in the Marine Corps. In FY02, MCRC assumed responsibility for prior service reserve recruiting operations, to truly become a total force recruiting service. Combining Reserve prior service recruiting with regular recruiting produces a synergistic effect, which allows MCRC to "by all means available" seek out and close with our target market, in the face of uncertain economic and world political events.

Recruit the Recruiter

Because recruiters who volunteer for this demanding duty perform better and subsequently experience a better quality of life, MCRC has taken some cost effective measures to recruit our own recruiters. Incorporating some of the marketing techniques and web design that have supported our regular recruiting efforts, we have been able to reach out to the remainder of the Marine Corps with a message capturing the benefits and rewards of recruiting duty. As a result of this "Recruit the Recruiter" initiative, our recruiter volunteer rate in FY02 rose by nearly 10 percent over that realized in previous years.

Safety and Quality of Life

Marine Corps recruiting remains committed to improving the health and safety of all Marines, Sailors, Civilian Marines, and members of the officer and enlisted entry pools. Operational risk management and traffic safety are emphasized at all levels and in both on and off duty activities. Our goal is to continue to attain the recruiting mission while minimizing risk, and the potential for loss of life and equipment.

Continuous improvement in quality of life for our personnel is vitally important as well. Our Marines and families are dispersed throughout America, away from the traditional support systems of our bases and stations. Therefore, we expend great effort to ensure awareness of numerous support programs adapted for their benefit. One such program is a DoD pilot, MCCS One Source, being offered Marine Corps wide. MCCS One Source offers assistance, advice, and support on a wide range of everyday issues. This 24/7, 365 day-a-year, enhanced employee assistance service can be accessed

anytime via toll free numbers, email, or the Internet and is especially useful for remote Marines, such as recruiters.

Our success in recruiting hinges on our recruiters whose efforts and dedication to the task provide our institution with its next generation of warriors. Our recruiters are the Corps' ambassadors to the American public and represent the virtues of the Marine Corps in a single individual.

RETENTION

A successful recruiting effort is but one part of placing a properly trained Marine in the right place at the right time. The dynamics of our manpower system must match skills and grades to our Commanders' needs throughout the operating forces. The Marine Corps endeavors to attain and maintain stable, predictable retention patterns. However, as is the case with recruiting, civilian opportunities abound for our Marines as employers actively solicit our young Marine leaders for private sector employment. Leadership opportunities, our core values, and other similar intangibles are a large part of the reason we retain dedicated men and women to be active duty Marines after their initial commitment. Of course retention success is also a consequence of the investments made in tangible forms of compensation and in supporting our operational forces – giving our Marines what they need to do their jobs in the field, as well as the funds required to educate and train these phenomenal men and women.

Enlisted Retention

Our enlisted force is the backbone of our Corps and we make every effort to retain our best people. Although we are experiencing minor turbulence in some specialties, the aggregate enlisted retention situation is extremely encouraging. Primarily because these young Marines remain in high demand in the civilian sector, some shortages exist in high-tech Military Occupational Specialties that represent an important part of our war fighting capability.

We are a young force, making a continued flow of quality new accessions of foundational importance to well-balanced readiness. Of the 156,912 active duty enlisted force, over 26,000 are still teenagers and 104,000 are on their first enlistment. As noted at the outset, in FY03 we will reenlist approximately 26% of our first term eligible population. These 6,014 Marines represent 100% of the career force requirement and will mark the tenth consecutive year that the Corps will achieve this objective. Prior to FY02, we recognized a slight increase in the number of first term Marines that we needed to reenlist. To counter this rising first term reenlistment requirement, the Corps focused greater attention on retaining Marines during their 6th through 12th years of service. Specifically, in FY02 we introduced the Subsequent Term Alignment Plan (STAP) to focus on retaining experience. The first year of STAP proved to be a huge success meeting our goals and achieving a 96 percent MOS match. A stabilized continuation rate ensures manageable requirements for first term reenlistments. Given the strong draw from the civilian sector, further emphasis in retention of our career force was achieved by effectively targeting 40 percent of our Selective Reenlistment Bonus program resources to maintain this experience level on par with previous years.

A positive trend is developing concerning our first term non-Expiration of Active Service (EAS) attrition. As with fiscal years 2001 and 2002, we continue to see these numbers decrease. The implementation, now nearly seven years ago, of the Crucible and the Unit Cohesion programs is contributing to improved retention among our young Marines who assimilate the cultural values of the Corps earlier in their career. The impact of lower non-EAS attrition allowed a reduced accession mission in both FY02 and FY03.

The Marine Corps fully expects to meet our aggregate personnel objectives, and we continue to successfully maintain the appropriate balance of first term and career Marines. The management of youth and experience in our enlisted ranks is critical to our success and we are pleased with the accomplishments thus far.

Specialty shortages are addressed with the highly successful Selective Reenlistment Bonus (SRB) program. Shortages persist in some highly technical specialties, such as intelligence, data communications experts, and air command and control technicians. The Marine Corps allocated \$51.7M in FY03 toward new SRB payments to assist our reenlistment efforts. These payments, just one-half of one percent of our Manpower Personnel budget, are split 60/40 between first term and career force reenlistments, respectively. The SRB program greatly complements reenlistment efforts and clearly improves retention within our critical skill shortages. In FY03, the Corps continues to pay lump sum bonuses, thus increasing the net present value of the incentive and positively influencing highly qualified, yet previously undecided, personnel. It is a powerful incentive for the undecided to witness another Marine's reenlistment and receipt of his/her SRB in the total amount. And, with the added benefit of the Thrift

Savings Program, our Marines can now confidently invest these funds toward their future financial security.

Officer Retention

Overall, officer retention continues to experience great success. In FY02, our aggregate officer retention rate reached an eighteen-year high of 92.8 percent. The significant increase in our officer retention rate involves a reduction in voluntary separations. This has likely been positively influenced by the terrorist attacks of September 11th and the current economic conditions. As with the enlisted force, we have some skill imbalances within our officer corps, especially aviation, intelligence, and command and control.

Although we are cautiously optimistic, fixed wing pilot retention remains a concern. Fixed wing pilot "take rates" for the FY02 Aviation Continuation Pay plan did not meet retention targets due to an inadequate eligible population resultant from previous years' losses. We will likely meet the aggregate FY03 retention target for aviators based on "take rates" from the rotary wing and naval flight officer communities. Retaining aviators involves a concerted effort in multiple areas. Recent retention initiatives (i.e., Marine Aviation Campaign Plan, reducing the time to train, and pay reform) provide corrective steps to strengthen the Marine Corps' position toward retaining aviation officers. Additionally, supplementary pay programs such as Aviation Continuation Pay provide a proactive, long-term aviation career incentive to our field grade aviators. We remain focused on retaining mid-grade aviators (junior majors and

lieutenant colonels) and will continually review our overall aviation retention posture to optimize all our resources.

Overall, the Marine Corps' officer and enlisted retention situation is very encouraging. Through the phenomenal leadership of our unit commanders, we will achieve every strength objective for FY03 and expect to start FY04 poised for continued success. Even though managing our retention success offers new challenges – sustaining quality accessions, maintaining the appropriate grade mix, and balancing occupational specialties – we will press forward and effectively manage this process. In this challenging recruiting and retention environment, the Marine Corps remains optimistic and anticipates these positive trends will continue, thanks in large measure to the continued support of Congress.

END STRENGTH

The Congressionally authorized increase in Marine Corps end strength to 175,000 allows us to sustain the increased missions associated with the activation of the 4th Marine Expeditionary Brigade (Anti-Terrorism), in response to the global war on terrorism. As previously noted, we are well along the way in “making” these 2,400 Marines. Yet it will take the remainder of FY03 to complete this process. This additional end strength allows us to replace Marines in the active units that we “borrowed” standing up the Brigade, which not only provides the Nation with a robust, scalable force option specifically dedicated to anti-terrorism, but also a fully mission capable Marine Corps. The timing of the increased end strength could not have been more fortuitous given world events and demand for Marine forces. The increased end

strength, our recruiting success, the strong retention of our first term population as well as the career force, our eighteen-year high retention rate for officers – these factors combine to allow your Marine Corps to be well postured for the uncertain times that lie ahead as we continue to prosecute the war on terror and respond to the call of our nation.

Returning Marines to the Operating Forces (Better Business Practices)

The Marine Corps continues to seek out and utilize better business practices to achieve greater cost-effectiveness and manpower efficiencies, allowing us to direct more assets to our operating forces. In line with the competitive sourcing initiatives in the President's Management Agenda, the Marine Corps is increasing emphasis across our Supporting Establishment on competing commercial activities with the private sector. Competitions completed to date have resulted in saving millions of dollars annually and returning almost 900 Marines to the operating forces. Continuing review should result in even more Marines returning to the operating force.

MARINE CORPS RESERVE – PARTNERS IN TOTAL FORCE

The integration of active and reserve components of the Marine Air-Ground Task Force (MAGTF) into a Total Force Marine Corps is the foundation of our operational fighting force. We advance this Total Force capability by ensuring the integration of the active and reserve components in all aspects of our training and operations, to include the primary mission of augmentation and reinforcement. Reserve Units and Individual Ready Reserve Marines provided over 1.8 million man-days in FY02 through support at

all levels within the Marine Corps and within the Joint communities, to include Joint Task Forces, Combatant Commands, and Interagency Staffs.

Reserve participation in the South American UNITAS exercise, security assistance at Guantanamo Bay, KC-130 support of the 13th MEU (SOC) in Afghanistan, "on call" forces to support the Federal Emergency Management Agency's role in homeland security and support of Joint Task Force 6, and Joint Interagency Task Forces – East and West in our nation's continued counter drug effort are but a few examples of our Reserve's involvement and commitment to the Total Force effort.

The Marine Forces Reserve will retain their current basic structure. However, we are currently working to transform this structure and create new capabilities through a Comprehensive Review designed to adapt the Reserve force to the changing demands of the war on terrorism and conflicts of the future.

Active Duty Special Work

The Active Duty Special Work (ADSW) Program funds short tours of Active Duty for Marine Corps Reserve personnel. This program continues to provide critical skills and Operational Tempo Relief for existing and emerging augmentation requirements of the Total Force. The demand for ADSW has increased in order to support pre-mobilization activities and will be further challenged during post mobilization. In FY02, the Marine Corps executed 1,208 work-years of ADSW. Continued support and funding for this critical program ensures our Total Force requirements are fully met.

Reserve Recruiting

As presented earlier, FY02 marked the first year that Marine Corps Recruiting Command assumed responsibility for recruiting prior service Marines. The synergy achieved by placing all Reserve recruiting within Marine Corps Recruiting Command will keep our Reserve Force strong and manned with the proper MOS distribution. The FY02 recruiting goals were met, accessing 5,904 non-prior service Marines and 4,213 prior service Marines. FY02 success in prior service accessions is significant as our Active Component retention rates are at historic highs, reducing the number of Marines leaving active duty and concurrently reducing the pool for prior service recruiting. This successful accession rate reflects the professionalism of our Marine Forces Reserve, a professionalism that attracts these individuals.

Our most challenging recruiting and retention issue is manning our Selected Marine Corps Reserve units with qualified company grade officers – Lieutenants and Captains. The Marine Corps recruits Reserve officers almost exclusively from the ranks of those officers who have first served an active duty tour. This practice ensures our Selected Marine Corps Reserve unit officers have the proven experience, knowledge, and leadership abilities when we need them the most—during mobilization. However, at the same time, this limits the recruiting pool we can draw from to staff our units. We are attempting to improve Reserve participation of company grade officers through increased recruiting efforts, greater command focus on reserve participation upon leaving active duty, and Reserve officer programs for qualified enlisted Marines.

Marine for Life

The Marine For Life Program is an initiative reinforcing the value of honorable service and commitment to our ethos "Once A Marine, Always A Marine." Annually, we transition back to society nearly 27,000 Marines who have served honorably. The Marine For Life Program enhances the transition support for these Marine citizens and utilizes our Marine Corps Reserve serving in local communities around the country to act as Hometown Links. These links build relationships with veteran Marines and Marine-friendly organizations that have a desire to help transitioning Marines. We realize that we will all spend more time as Marines out of uniform than we will spend in uniform. Marine For Life embraces this reality, to the benefit of Marines and society.

MOBILIZATION

Since the tragic attacks of 9/11, the Marine Corps judiciously activated Individual Ready Reserve (IRR) Marines in response to both internal and joint operational requirements. The Marine Corps maximized the use of volunteers to meet these requirements, primarily in the areas of staff augmentation and force protection. In addition, Selected Marine Corps Reserve (SMCR) units were activated for force protection requirements in support of homeland security. In late February 2002, the Marine Corps reviewed requirements and reduced the number of Reservists on active duty from a high of 4,445 to approximately 3,900. We held this prudent course until early in this calendar year. Due to the emerging requirements associated with the war on terrorism, it was necessary to involuntarily recall some IRRs beginning January 17, 2003. As of March 7, 2003 we have 16,994 Marines mobilized; 14,923 SMCR, 1,352 IRRs, 668

Individual Mobilization Augmentees, 25 voluntary retired recalls, and 6 SMCR ADSW-Contingency Operations. For further specificity, we have 413 volunteer IRR Marines in their second year of mobilization.

The Marine Corps sincerely appreciates the support of the public and private sector employers of our men and women serving in the Reserve Component. Their sacrifices and commitment to these special men and women are exceptional, and often at levels that far exceed their mandates. Without this supportive environment it would be difficult to envision the ability to properly man our critical Reserve Forces.

STOP LOSS

As we did with mobilization, the Marine Corps consciously exercised judicious use of its Stop Loss authority. Between September 11, 2001 and January 15, 2003, the Marine Corps retained only 337 Marines beyond their end of active service. At any point in time this number averaged approximately 100. However, driven by prudent planning and a dynamic situation, on January 15, 2003, the Marine Corps instituted Stop Loss across the Corps to meet the emerging requirements associated with the expanding war on terrorism. Stop Loss was initiated to provide unit stability/cohesion, sustain small unit leadership, maintain unit readiness, meet expanded force protection requirements, and to reduce the requirement to activate IRR personnel. We will ensure judicious use of this authority and continue to discharge Marines for humanitarian, physical disability, administrative, and disciplinary reasons. We have instructed our general officers to continue to use a common sense approach and have authorized them to release Marines from active duty if it is in the best interest of the Marine Corps and the Marine.

Currently, we have 1,716 active and 2,780 reserves on Stop Loss. Only 217 of the reservists on Stop Loss have been mobilized.

MANAGING TIME AWAY FROM HOME

(PERSONNEL TEMPO – PERSTEMPO)

The Marine Corps is in compliance with PERSTEMPO legislation, and continues to maintain the OSD tracking and reporting criteria. We remain committed to maintaining the proper balance between operational deployments and the quality of life of our Marines and their families. Having said this, Marines join to train and deploy, and we do not disappoint them. Service in the Marine Corps requires deployments for readiness and mission accomplishment. The existing PERSTEMPO legislation is inconsistent with the Marine Corps' expeditionary, forward deployed nature and could have adverse effects on our unit cohesion, stability, training, and readiness. We support changes that retain the original intent of the legislation, better balance the needs of the Services with the needs of the service members and their families, and provide compensation to members for excessive deployments that is better aligned with similar payments for burdensome duties. Currently, we have 402 Marines in excess of the 400-day threshold identified in the original legislation.

NATIONAL CALL TO SERVICE

The Marine Corps is working with DoD to establish implementation guidance for the National Call to Service (NCS) requirement contained in the Bob Stump Defense Authorization Act for Fiscal Year 2003. We desire to link active and reserve service periods together to meet

the needs of the Corps, primarily in the homeland security areas. Marines accessed via the NCS program would serve their 15 months of active duty with the 4th MEB AT Battalion, Chemical Biological Incident Response Force, Marine Security Forces, or base/station AT/FP units. Reserve service would be aligned to the counterpart units of the active component. We are also considering providing a limited number of the NCS accessed Marines with training in high demand/low density reserve MOSs, such as intelligence, linguists, and aerial navigation. These Marines would spend their active duty period primarily in training, but then would be assigned to SMCR units where their skills could be readily utilized. We anticipate commencing the recruiting for this program in October 2003.

IT INNOVATION

To properly manage the resources entrusted to us, it is necessary to have and maintain capable tools. Planning for and managing manpower requirements – including addressing mobilization challenges, determining Stop Loss requirements, and tracking PERSTEMPO information mentioned previously – requires effective and relevant automation and IT systems for manpower modeling, manpower management, and personnel servicing. When competing with weapons systems and near term resource requirements, it is easy to bypass proper investment in these management systems. However, though not perfect, we are proud of the portfolio in place to support our Manpower processes and are committed in the budget to continuing appropriate reinvestment.

The Marine Corps benefits from a fully integrated pay and personnel system. This system, the Marine Corps Total Force System (MCTFS), incorporates all Active,

Reserve, and Retired pay and personnel records. Having an integrated Total Force system minimizes difficulties for our reserves as they are mobilized. The MCTFS serves as the foundation for ongoing re-engineering of our administrative occupational field into the Total Force Administration System (TFAS). This TFAS will execute a web-based, virtually paperless self-serve capability for all Marines via our web portal, Marine On-Line.

We have also integrated data via MCTFS by leveraging the information contained in the Operational Data Store Enterprise and the Total Force Data Warehouse to create the foundation of a shared data environment. This allows full integration of our digitized personnel files with the Marine Corps promotion board process, giving us the most advanced and comprehensive promotion process among the Services.

In addition, the Marine for Life and Civilian Marine web sites provide valuable tools to our uniformed and Civilian Marines. Marine for Life provides an electronic reach back to those Marines who honorably leave the Corps as they return to civilian life. The maturing Civilian Marine web site will provide a "one-stop" site to allow our Civilian Marines to manage their careers from their desktops.

CIVILIAN MARINES

Civilian Marines are integral to the Corps' Total Force concept. We have approximately 25,000 Civilian Marines, of which 13,000 are appropriated fund (APF) employees and about 12,000 are nonappropriated fund (NAF) employees. Our APF Civilian Marines comprise just 2 percent of the total DoD civilian workforce. The Marine Corps has one APF Civilian Marine per 12 active duty Marines. The remaining

half of our Civilian Marines, our NAF personnel, are primarily resourced by revenue-generating activities and services such as exchanges, clubs, golf courses, bowling centers, gas stations, and dry cleaners. Our Civilian Marines fill key billets aboard Marine Corps bases and stations, thus freeing active duty Marines from supporting establishment responsibilities to perform their war fighting requirements in the operating forces.

This past December we introduced our Civilian Workforce Campaign Plan, covering the period 2002 - 2007, that outlines the Corps' strategy to enhance civilian workforce management and development. As with the challenge faced across the federal government, 30 percent of our APF Civilian Marines will be retirement eligible within the next five years. Though we project that just 25 percent of those eligible will retire, our growing retirement eligible population further necessitates prudent planning and consideration. By investing up front in our Civilian Marine workforce, we believe we can recruit, develop, and retain quality workers in both the near and long term.

To increase the technical expertise and improve career opportunities for our Civilian Marines, we have established 21 Civilian "Communities of Interest" with a senior civilian heading each community. Similar to our military occupational fields, these career communities have identified job competencies and training requirements, and defined career paths. Through a corporate approach to attract, develop, and retain an expert civilian workforce, and with the concentrated effort of the general officers and senior executives in our Corps, we will successfully ensure the needs of the Marine Corps and our Civilian Marines are met.

We continue to make strides in how we recognize the value of our civilian workforce and its contributions to the success of the Corps. From the symbolic, such as

our Marine Corps Civilian Service Pin, to the investment we are making in civilian career and leadership development, our efforts will support our positioning to be the employer of choice.

CARING FOR MARINES AND FAMILIES

The Marine Corps cultivates an ethos of taking care of Marines and their families. Our continuum of care begins with the “yellow footprints” at basic training and continues throughout the life of a Marine. Marines are Marines for Life. Legendary hallmarks of “Once A Marine, Always A Marine” and “Semper Paratus” prove our long-term commitment and provide convincing testimony from Marines that they are forever changed and a part of a society that is sustained through self-perpetuation and shared culture.

Beyond the superb quality of our recruiters, accomplishment of our recruitment mission is enhanced by our study and knowledge of the demographics of the American public – the potential market for our Corps. As it is with recruiting, our ability to sustain or take care of Marines and their families is based on a thorough understanding of Marine Corps demographics. Consider the following facts that outline the Marine Corps as the youngest, most junior, and least married of the four Military Services.

- 66 percent of Marines are 25 or younger.
- 27 percent of Marines are under 21.
- 42 percent of Marines are Lance Corporals (pay grade E3) or below.
- 40 percent of Marine spouses are age 25 or younger.
- Average Marine is 23 years old at the birth of his/her first child.
- Only 5,300 Marines are single parents.

- Average age of a married enlisted Marine is 28.
- 44 percent of active duty Marines are married.
 - Among Privates and Lance Corporals, 19 percent are married.
 - Among Corporals and Sergeants, 51 percent are married.
 - Among Staff Non-Commissioned Officers, 84 percent are married.

Understanding these Marine specific demographics helps us effectively identify needs and target support. It also orients our program planners and ensures we balance the support provided between groups, younger versus older, and married versus single. In this way, we stay connected and maintain our leading edge.

Quality of Life (QOL) in the Marine Corps has been studied for over 10 years. Our third administration of the *Marine Corps Quality of Life Study* was conducted in 2002 and we are now beginning the hard work of in-depth analysis. The results of this Study and our subsequent work are important given the qualitative and quantitative link between QOL satisfaction and recruitment, retention, and readiness. Over the last decade, the Marine Corps, through Congressional support, invested resources designed to increase income and standard of living, revitalize housing, and enhance community services for our Marines. The living conditions for our Marines and families have been objectively improved by almost any measure. Yet, a significant finding from the 2002 study was an “across-the-board” decrease in the QOL satisfaction of Marines when compared to measurements from the 1998 QOL Study, most substantial for junior enlisted Marines (Sergeant and below).

The reasons for this decline will be closely examined. However, one important finding identified that “expectations” are a relevant dynamic to QOL satisfaction. When

measuring QOL satisfaction, we in large part measure the delta between what the Marine Corps provides and the internal expectations Marines and their families have as they compare themselves to peers, civilian counterparts, or family members.

Understanding what drives expectations and determining the appropriate response is clearly a challenge in taking care of Marines and their families. We accept the challenge and believe that our efforts will help shape the future of QOL support. We expect to gain knowledge of the influence of generational and societal changes on the Marine Corps and the subsequent impact to QOL support and the manner of service delivery. This knowledge will assist with better definition of the "benefit package" provided by the Corps. Additionally, we will assess the relationship of QOL to other human resources strategies to ensure we are achieving our goals.

While it is important to plan for the future of Marine Corps QOL, it is equally important to evaluate the current state. With 63 percent of our operating forces forward deployed, our "taking care" mission is both expeditionary to support them, and fixed at needed levels aboard Marine Corps bases and stations to sustain the Marines and families left behind. Depending on the intensity and duration of the deployment or contingency, deployment recreation support kits ("mount out blocks") are provided to meet operational command requirements and can include fitness equipment; sports equipment; electronic equipment; and leisure items. In addition, Tactical Field Exchanges, "theaters in a box," and miscellaneous books and recreational supplies may also be provided to embarked or "in-country" Marines depending on the operational command requirements. By February of this year, five Marine Corps Exchange/Army Air Force Exchange Tactical Field Exchanges had been established in Southwest Asia.

When deployed, Marines depend upon the Corps to support their families. Our major bases and stations provide the needed comfort and support specifically designed to address the challenges of the military lifestyle. Supporting Reservists on active duty provides an added challenge as their families are spread throughout America. The Key Volunteer Program serves as the official communication link between the deployed command and the families. To build awareness of life in the Marine Corps, our Lifestyle Insights, Networking, Knowledge and Skills (L.I.N.K.S.) Program is provided to new Marine spouses to acquaint them with military lifestyle and the Marine Corps. We are currently preparing an online and CD-ROM version of L.I.N.K.S., which we expect to make available early this summer. Special deployment support links have been built on Marine Corps web sites to connect families and provide information. Finally, we are proud to be the Department of Defense pilot for implementation of an enhanced employee assistance program. *Marine Corps Community Services One Source* is a 24/7, 365 day-a-year, information and referral service designed to reach both active duty and reserve families wherever they may be located. It can be accessed anytime via toll free numbers, email, or the Internet. The support includes parenting and childcare, education services, financial information and advice, legal, elder care, health and wellness, crisis support, and relocation. The Corps just implemented its pilot program across the United States and overseas in December 2002. We are excited about the possibility of extended support capabilities and how that will contribute to the well being of Marines and their families.

For Marine families, Marine Corps Family Team Building (MCFTB) and other Marine Corps Community Services programs provide support for the whole family: the

Marine, the spouse, new parents, and children. General counseling, personal financial management assistance, family advocacy programs, and substance abuse avoidance are just some of the support programs available.

Every day, regardless of duty assignment or mission, the Marine Corps takes care of Marines and their families. We work hard to provide program support that is relevant to the QOL improvement of Marines and their families. In addition, taking care of Marines and their families through QOL and community services programs contributes to readiness and thus is relevant to the operating forces. As the Marine Corps is predominantly comprised of young, single, junior Marines, we have specifically built programs to support their development and growth.

The Single Marine Program provides needed recreation and stress outlets that are both wholesome and support development of social skills. Just as importantly, the Single Marine Program stresses the responsibility that young single Marines have to identify solutions to QOL issues and resolve them through working with the chain of command.

Many young Marines joined the Corps for a challenge. This desire for physical and mental challenge is met through our world-class health and fitness program, Semper Fit, and our Lifelong Learning program. Tuition Assistance is part of the Lifelong Learning program and in FY02, approximately 20,000 Marines enrolled in almost 60,000 courses.

Within the Corps taking care of Marines and their families is a point of pride and constancy. As the Commandant has charged all Marines, we will proceed with boldness, intellect, and confidence in our mission. Today, we know more than we ever have about the demographics and needs of Marines and their families. We will use our knowledge of

Marines and their families to properly frame expectations and forge an even stronger compact that continues to support the legacy of taking care of our own.

CONCLUSION

Through the remainder of FY03 and into FY04 our Nation will likely remain challenged on many fronts as we conduct the Global War on Terrorism. Services will continue to be pressed to meet commitments, both at home and abroad. Marines, sailors, airmen, and soldiers are the heart of our Services, our most precious assets, and we must continue to attract and retain the best and brightest into our ranks. Transformation will require that we blend together the "right" people and the "right" equipment as we design our "ideal" force. Manpower associated costs are a major portion of the DoD and Service budgets, and our challenge is to effectively and properly balance personnel, readiness, and modernization costs to provide mission capable forces. The DoD is undertaking numerous studies in the area of human resources strategy designed to support an integrated military, civilian, and QOL program, within which we must balance the uniqueness of the individual services. In some cases a one-size fits all approach may be best, in others flexibility to support service unique requirements may be paramount. Regardless, we look forward to working with the Congress to "do what's right" to maintain readiness and take care of your Marines.

The Marine Corps continues to be a significant force provider and major participant in joint operations. Our successes have been achieved by following the same core values today that gave us victory on yesterday's battlefields. Our Active, Reserve, and Civilian Marines remain our most important assets and with your support, we can

continue to achieve our goals and provide what is required to accomplish assigned tasks. Marines are proud of what they do! They are proud of the "Eagle, Globe, and Anchor" and what it represents to our country. It is our job to provide for them the leadership, resources, QOL, and moral guidance to carry our proud Corps forward. With your support, a vibrant Marine Corps will continue to meet our nation's call as we have for the past 227 years! Thank you for the opportunity to present this testimony.



T H E M I L I T A R Y C O A L I T I O N

201 North Washington Street
Alexandria, Virginia 22314
(703) 838-8113

**STATEMENT OF
THE MILITARY COALITION (TMC)**

for the

**Total Force Subcommittee
House Armed Services Committee**

March 13, 2003

MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE. On behalf of The Military Coalition, a consortium of nationally prominent uniformed services and veterans' organizations, we are grateful to the Subcommittee for this opportunity to express our views concerning issues affecting the uniformed services community. This testimony provides the collective views of the following military and veterans' organizations, which represent approximately 5.5 million current and former members of the seven uniformed services, plus their families and survivors.

- Air Force Association
- Air Force Sergeants Association
- Air Force Women Officers Association
- AMVETS (American Veterans)
- Army Aviation Association of America
- Association of Military Surgeons of the United States
- Association of the United States Army
- Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard
- Commissioned Officers Association of the U.S. Public Health Service, Inc.
- Enlisted Association of the National Guard of the United States
- Fleet Reserve Association
- Gold Star Wives of America, Inc.
- Jewish War Veterans of the United States of America
- Marine Corps League
- Marine Corps Reserve Officers Association
- Military Chaplains Association of the United States of America
- Military Officers Association of America
- Military Order of the Purple Heart
- National Guard Association of the United States
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Navy League of the United States
- Non Commissioned Officers Association
- Reserve Officers Association
- Society of Medical Consultants to the Armed Forces
- The Retired Enlisted Association
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars
- Veterans' Widows International Network

The Military Coalition, Inc., does not receive any grants or contracts from the federal government.

EXECUTIVE SUMMARY RECOMMENDATIONS OF THE MILITARY COALITION

ACTIVE FORCE ISSUES

Personnel Strengths and Operations Tempo. The Military Coalition strongly recommends Service end strengths be increased immediately to balance today's operational requirements with the personnel resources needed to perform these missions. The force was already stressed before 9/11 and the pace of operations—especially for those serving in low density, high demand skills—has only increased, worsening the operational and personal stresses on active, National Guard and Reserve personnel, and their families.

Pay Raise Comparability and Pay Table Reform. The Coalition urges the Subcommittee to restore full pay comparability on the quickest possible schedule and to revise the permanent law that caps annual military pay raises below comparable private sector wage growth, effective in 2007. The Coalition also urges the Subcommittee to ignore requests from the Administration to cap future military raises. The Coalition believes all members need and deserve annual raises at least equal to private sector wage growth. To the extent targeted raises are needed, the Department of Defense needs to identify the ultimate "objective pay table" toward which the targeted raises are aimed. Specific objectives for inter-grade relationships must be established, publicized, and understood, or members will perceive repeated differential pay raises as unfair. The Coalition is also extremely disappointed that the Administration is proposing to cap the pay of NOAA and USPHS officers at 2%. The Military Coalition strongly objects to this disparate treatment of members in those uniformed services and urges you to intercede in their behalf with your colleagues on the appropriate oversight committees for NOAA and USPHS personnel.

Basic Allowance for Housing (BAH). The Military Coalition urges the Subcommittee to adjust grade-based housing standards to more accurately reflect realistic housing options and members' current out-of-pocket housing expenses. The Coalition further urges the Subcommittee to accelerate the plan to eliminate servicemembers' out-of-pocket housing expenses from FY 2005 to FY 2004.

Basic Allowance for Subsistence (BAS). The Military Coalition urges the subcommittee to repeal the statutory provision limiting BAS eligibility to 12% of single members residing in government quarters. As a long-term goal, the Coalition supports extending full BAS eligibility to all single career enlisted members, beginning with the grade of E-6 and extending eligibility to lower grades as budgetary constraints allow.

Permanent Change of Station (PCS). The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances in FY 2004 to recognize that the government, not the servicemember, should be responsible for paying the cost of doing the government's business.

Education Benefits for Career Servicemembers. The Military Coalition urges the subcommittee to provide those career servicemembers, who have not had an opportunity to sign up for a post-service educational program, an opportunity to enroll in the Montgomery GI B-II (MGIB).

Family Readiness and Support. The Military Coalition urges improved education and outreach programs and increased childcare availability to ensure a family readiness level and a support structure that meets the requirements of increased force deployments for active, National Guard and Reserve members.

Commissaries. The Military Coalition opposes privatization of commissaries and strongly supports full funding of the benefit to sustain the current level of service for all commissary patrons.

NATIONAL GUARD AND RESERVE ISSUES

Support of Active Duty Operations. The Military Coalition urges continued attention to ensuring an appropriate match between National Guard and Reserve force strengths and missions. The Coalition also urges further improvements to the Soldiers and Sailors Civil Relief Act (SSCRA) to protect National Guard and Reserve families from economic disruption when they are called to extended active duty.

Healthcare for Members of the National Guard and Reserve. The Military Coalition urges making the TRICARE medical program available for members of the National Guard, Reserves and their families on a cost-sharing basis in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve. In addition, to further ensure continuity of coverage for family members, the Coalition urges allowing activated Guard/Reserve members the option of having the Department of Defense pay their civilian insurance premiums during periods of activation.

Selected Reserve Montgomery GI Bill (MGIB) Improvements. Basic benefits under the MGIB program (Title 38) have increased almost 50 percent over the last three years, but during the same period, have not increased, proportionally, in the Reserve MGIB program (Title 10). The Military Coalition recommends that the Reserve MGIB authority be transferred to Title 38 so that those benefits are applied consistently and equitably to all members of the Total Force.

Tax issues. The Military Coalition urges restoration of full tax-deductibility of non-reimbursable expenses related to military training. The Military Coalition urges authorization of tax credits for employers of National Guard and Reserve employees.

Retirement Credit for All Earned Drill Points. The Military Coalition recommends lifting the 90-point cap on the number of Inactive Duty Training (IDT) points earned in a year that may be credited for National Guard and Reserve retirement purposes.

Unlimited Commissary Access. The Military Coalition recommends doing away with the 24-visit access cards and extending unrestricted commissary access to members of the National Guard and Selected Reserve.

Academic Protections for Mobilized Guard and Reservists. TMC recommends that the Committee endorse legislative proposals to afford academic and financial protections to National Guard and Reserve post-secondary students activated into extended federal service.

RETIREMENT ISSUES

Concurrent Receipt of Military Retired Pay and Veterans Disability Compensation. The Military Coalition thanks the Subcommittee leaders and members for the FY 2003 National Defense Authorization Act provisions that eliminate the disability offset for combat and operations-related disabilities, and urges continued progress to eliminate the offset for all disabled retirees. The Coalition specifically requests the immediate inclusion of deserving National Guard and Reserve retirees, Early Retirement Authority retirees, and enlisted retirees with high decorations for extraordinary valor – all of whom completed careers and suffered combat, or operations-related, disabilities.

Final Retired Pay Check. The Military Coalition strongly recommends that authority be provided to allow the survivors to retain the final retired pay check received during the month in which the retiree dies. Current policy requires the final check to be returned and a prorata check be reissued based on the number of days the retiree was alive in that final month—an agonizing and arduous experience for many survivors.

Former Spouse Issues. The Military Coalition strongly recommends corrective legislation be enacted to eliminate inequities created through years of well-intended, piecemeal legislative action initiated outside the Subcommittee.

Involuntary Separation Pay. The Military Coalition urges reinstatement of involuntary separation pay eligibility for officers twice deferred from promotion who decline continuation to 20 years.

Tax Relief for Uniformed Services Beneficiaries. The Military Coalition urges the Subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums and enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the active duty dental plan, TRICARE Retiree Dental Plan, FEHBP and Long Term Care.

SURVIVOR PROGRAM ISSUES

Age 62 SBP Offset. The Military Coalition strongly recommends elimination of the age-62 Survivor Benefit Plan annuity reduction. To the extent that immediate implementation may be constrained by fiscal limitations, the Coalition urges enactment of a phased annuity increase as envisioned in S. 451 and H.R. 548.

30-Year Paid-Up SBP. The Military Coalition strongly recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2003.

Active Duty SBP. The Military Coalition recommends that payments of benefits to children of active duty members, who die while serving on active duty, be authorized if the surviving spouse remarries, as is the case for the children of retired members.

Death Gratuity. The Military Coalition strongly recommends the death gratuity paid to survivors of members who die on active duty, be raised from \$6,000 to \$12,000.

SBP-DIC Offset. The Military Coalition strongly recommends that the current dollar-for-dollar offset of Survivor Benefit Plan (SBP) benefits by the amount of Dependency and Indemnity Compensation (DIC) be eliminated, recognizing that these two payments are for different purposes.

PERSONNEL ISSUES

Mr. Chairman, The Military Coalition (TMC) thanks you and the entire Subcommittee for your unwavering support for fair treatment of all members of the uniformed services and their families and survivors. We are most grateful to the Subcommittee for its strong support of significant improvements in military pay, housing allowances and other personnel programs for active, Guard and Reserve personnel and their families. The Coalition is especially grateful for the Subcommittee's support of last year's authority to eliminate the offset of retired pay for veterans' disability compensation for certain disabled retirees, even though the final authority was significantly narrower than we had hoped. These and the many other important provisions of the FY 2003 National Defense Authorization Act will pay strong retention and readiness dividends in the years ahead.

Congress has clearly made military compensation equity a top priority and has accomplished much over the past several years to improve the lives of men and women in uniform, and their families.

But this year, we have heard recommendations from some in the Administration to return to the failed policies of the past by capping future military pay raises below private sector wage growth. Shortchanging compensation for military personnel has exacted severe personnel readiness problems more than once in the last 25 years—problems that led the Joint Chiefs to testify before you in September 1998 about a significant pay gap that threatened the ability to sustain a quality all volunteer force.

Although the President rejected the pay cap proposal this year, we expect it will resurface in the future as it has in the past. When it does, we trust that you will again recognize the fallacy and personnel readiness risks inherent in any such ill-considered recommendation.

Today's reality is simple—the uniformed services still find themselves facing significant personnel challenges, with ever-smaller numbers of servicemembers and their families being asked to incur ever-greater workloads and ever-greater sacrifices. They need relief.

While progress has been made in improving active duty, Guard and Reserve members' compensation and benefit package, the hard fact is that we don't have a large enough force—in any component—to adequately carry out all current missions and still be prepared for new contingencies that may arise elsewhere in the world. In the historical sense of the term, the country no longer has a Reserve force, as we must routinely use a substantial share of our Reserves to accomplish day-to-day defense missions.

Significant inequities also persist for retirees and survivors, whose service preserved the freedoms we enjoy today. Congress made significant strides in restoring lifetime health coverage for this population, and last year passed significant "first-ever" legislation to eliminate

the disability offset for a select group of disabled retirees. But hundreds of thousands of disabled retirees and survivors continue to experience unfair reductions in their retired pay and survivor annuities. Correcting those problems remains a major Coalition priority.

In testimony today, The Military Coalition offers its collective recommendations on what needs to be done to address these important issues and sustain long-term personnel readiness.

ACTIVE FORCE ISSUES

Since the end of the Cold War, the size of the force and real defense spending have been cut more than a third. In fact, the defense budget today is just 3.2 percent of this Nation's Gross National Product—less than half of the share it comprised in 1986. But national leaders also have pursued an increasingly active role for America's forces in guarding the peace in a very-dangerous world. Constant and repeated deployments have become a way of life for today's servicemembers, and the stress is taking a significant toll on our men and women in uniform and their families, as well.

Despite the notable and commendable improvements made during the last several years in military compensation and health care programs, retention remains a significant challenge, especially in technical specialties. While some service retention statistics are up from previous years' levels, many believe those numbers are skewed by post-9/11 patriotism and by Services' stop-loss policies. That artificial retention bubble is not sustainable for the long term under these conditions, despite the reluctance of some to see anything other than rosy scenarios.

From the servicemembers' standpoint, the increased personnel tempo necessary to meet continued and sustained training and operational requirements has meant having to work progressively longer and harder every year. "Time away from home" has become a real focal point in the retention equation. Servicemembers have endured years of longer duty days; increased family separations; difficulties in accessing affordable, quality health care; deteriorating military housing; less opportunity to use education benefits; and more out-of-pocket expenses with each military relocation.

The war on terrorism has only heightened already burdensome mission requirements, and operating—and personnel—tempos continue to intensify. Members' patriotic dedication has been the fabric that sustained this increased workload for now, and a temporarily depressed economy also may have deterred some losses. But the longer-term outlook is problematic.

Experienced (and predominantly married) officers, NCOs and petty officers are under pressure to make long-term career decisions against a backdrop of a demand for their skills and services in the private sector, even through the recent economic downturn. In today's environment, more and more servicemembers and their families debate among themselves whether the rewards of a service career are sufficient to offset the attendant demands and sacrifices inherent in uniformed service. They see their peers succeeding in the civilian world, and when faced with repeated deployments, the appeal of a more stable career and family life, often including an enhanced compensation package with far less demanding working conditions, is attractive. Too often, our excellent soldiers, sailors, airmen and Marines are opting for civilian career choices, not because they don't love what they do, but because their families just can't take the stresses any more.

On the recruiting front, one only needs to watch prime-time television to see powerful marketing efforts on the part of the Services. But this strong marketing must be backed up by an ability to retain these talented men and women. This is especially true as the Services become more and more reliant on technically trained personnel. To the Subcommittee's credit, you reacted to retention problems by improving military compensation elements. We know you do not intend to rest on your well deserved laurels and that you have a continuing agenda in place to address these very important problems. But we also know that there will be stiff competition for proposed defense budget increases. The truth remains that the finest weapon systems in the world are of little use if the Services don't have enough high quality, well-trained people to operate, maintain and support them.

The Subcommittee's key challenge will be to ease servicemembers' debilitating workload stress and continue to build on the foundation of trust that you have established over the past four years—a trust that is being strained by years of disproportional sacrifice. Meeting this challenge will require a reasonable commitment of resources on several fronts.

Personnel Strengths and Operations Tempo. The Coalition has been dismayed and deeply disappointed at the Department of Defense's reluctance to accept your efforts to increase Service end strength to meet today's much-increased operations tempo. The Department's response is to attack the problem by freeing up resources to realign to core war-fighting skills. While the Department's transformation vision is a great theory, its practical application will take a long time—time we don't have after years of extraordinary optempo that is already exhausting our downsized forces.

Administration and military leaders warn of a long-term mission against terrorism that will drive more servicemembers' deployment to Central Asia and other foreign countries. The Services simply do not have sufficient numbers to sustain the global war on terrorism, deployments, training exercises and other commitments, so we have had to recall significant numbers of Guard and Reserve personnel. Service leaders have tried to alleviate the situation by reorganizing deployable units, authorizing "family down time" following redeployment, or other laudable initiatives, but such things do little to eliminate long-term workload or training backlogs, and pale in the face of ever-increasing mission requirements. For too many years, there has always been another major contingency coming, on top of all the existing ones. If the Administration does not recognize when extra missions exceed the capacity to perform them, the Congress must assume that obligation.

The Coalition strongly believes that earlier force reductions went too far and that the size of the force should be increased, commensurate with missions assigned. The force was already overstrained to meet its deployment requirements before 9/11, and since then our forces have absorbed major contingency requirements in Afghanistan and Iraq.

Deferral of meaningful action to address this problem cannot continue without risking serious consequences. Real relief is needed now. With no evidence of declining missions, this can only be achieved by increasing the size of the force.

This is the most difficult piece of the readiness equation, and perhaps the most important under current conditions. Pay and allowance raises are essential to reduce other significant career dissatisfiers, but they can't fix fatigue and rising family separations.

Some argue that it will do little good to increase end strengths, questioning whether the Services will be able to meet higher recruiting goals. The Coalition believes strongly that this severe problem can and must be addressed as an urgent national priority, with increases in recruiting budgets if that proves necessary.

Others point to high reenlistment rates in deployed units as evidence that high operations tempo actually improves morale. But much of the reenlistment rate anomaly is attributable to tax incentives that encourage members to accelerate or defer reenlistment to ensure this occurs in a combat zone, so that any reenlistment bonus will be tax-free. Retention statistics are also skewed by stop-loss policies. Over the long run, past experience has shown that time and again smaller but more heavily deployed forces will experience family-driven retention declines.

Action is needed now. Failing to do so will only deepen the burden of already over-stressed troops and make future challenges to sustain retention and recruiting worse.

The Military Coalition strongly recommends restoration of Service end strengths consistent with long-term sustainment of the global war on terrorism and fulfillment of national military strategy. The Coalition supports application of recruiting resources as necessary to meet this requirement. The Coalition urges the Subcommittee to consider all possible manpower options to ease operational stresses on active, Guard and Reserve personnel.

Pay Raise Comparability. The Military Coalition appreciates the Subcommittee's leadership during the last five years in reversing the routine practice of capping servicemembers' annual pay raises below the average American's. In servicemembers' eyes, all of those previous pay raise caps provided regular negative feedback about the relative value the Nation placed on retaining their services.

Unfortunately, this failed practice of capping military raises to pay for budget shortfalls reared its head again earlier this year when the Director of the Office of Management and Budget proposed capping 2004 and future military pay raises at the level of inflation. The Coalition was shocked and deeply disappointed that such a senior officer could ignore 25 years of experience indicating that pay caps lead inevitably to retention and readiness problems. Not only was the proposal ill timed as troops are massed for a potential war with Iraq—it's just bad, failed policy.

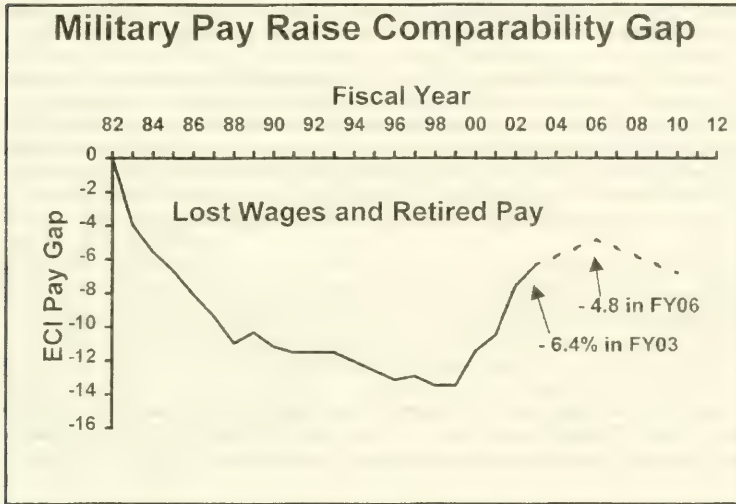
The President rejected his senior budget official's advice for five of the seven uniformed services—but, unfortunately, the Administration's budget for FY 2004 proposes to cap the pay of NOAA and USPHS officers at 2%. The Military Coalition strongly objects to this disparate treatment of members in those uniformed services. The Coalition urges the Subcommittee to intercede in their behalf with colleagues on the appropriate oversight committees for NOAA and USPHS personnel to ensure that these commissioned officers receive the same treatment as their fellow comrades-in-arms.

Pay raise comparability with private sector wage growth is a fundamental underpinning of the all-volunteer force, and it cannot be dismissed without severe consequences for national defense.

When the pay raise comparability gap reached 13.5% in 1999—resulting in a predictable readiness crises—this Subcommittee took responsible action to change the law. Largely because of your efforts and the belated recognition of the problem by the Executive Branch, the gap has been reduced to 6.4% as of 2003.

Fortunately, the President rejected his budgeteers' advice, and has proposed an average 4.1% raise for FY 2004, which would shrink the gap another full percentage point to 5.4%. Even at that rate, it would take another 5 years to restore full comparability. So this is no time to reinstitute pay caps.

On the contrary, we urge the Subcommittee to consider that the law mandating increased military raises will expire in 2006, after which military raises will again be capped one-half percentage point per year below private sector wage growth (see chart below).



The Military Coalition urges the Subcommittee to restore full pay comparability on the quickest possible schedule, and to change the permanent law to ensure all future military raises match private sector wage growth, as measured by the Employment Cost Index.

Pay Table Reform. The Subcommittee also has worked to address some shortcomings within the basic pay table by authorizing special "targeted" adjustments for specific grade and longevity combinations in recent years. The Coalition has supported these raises to recognize the education and technical expertise of certain career officers and enlisted members. However, the Coalition is concerned about potential perceptions of creating annual "haves and have nots" among members in different grades.

Servicemembers have a right to know and understand the objectives of such differential raises, or they will be perceived as arbitrary, capricious and unfair. Once the objective of such targeting has been achieved, equal-percentage annual raises should be restored for all servicemembers.

The Military Coalition believes all members need and deserve annual raises at least equal to private sector wage growth. To the extent targeted raises are appropriate, the Department of Defense needs to identify the ultimate "objective pay table" toward which the targeted raises are aimed.

Basic Allowance for Housing (BAH). The Military Coalition supports revised housing standards that are more realistic and appropriate for each pay grade. As an example, enlisted members are not authorized to receive BAH for a 3-bedroom single-family detached house until achieving the rank of E-9 – which represents only one percent of the enlisted force. TMC believes that as a minimum, this BAH standard should be extended to qualifying servicemembers in grades E-7 and above, immediately.

The Coalition is most grateful to the Subcommittee for acting in 1999 to reduce out-of-pocket housing expenses for servicemembers. Responding to the Subcommittee's leadership on this issue, the Department of Defense proposed a phased plan to reduce median out of pocket expenses to zero by FY 2005. Through the leadership and support of this Subcommittee, these commitments have been put into law. This aggressive action to better realign BAH rates with actual housing costs is having a real impact and providing immediate relief to many servicemembers and families who were strapped in meeting rising housing and utility costs.

We applaud the Subcommittee's action, and hope that this plan can be accelerated as we near the completion date. Housing and utility costs continue to rise, and we are years away from closing the existing pay comparability gap. Members residing off base face higher housing expenses along with significant transportation costs. Relief is especially important for junior enlisted personnel who live off base and do not qualify for other supplemental assistance.

The Military Coalition urges the Subcommittee to direct adjustments in grade-based housing standards to more adequately cover members' current out-of-pocket housing expenses and to accelerate the plan to eliminate out of pocket housing expenses from FY 2005 to FY 2004.

Basic Allowance for Subsistence (BAS). The Coalition is grateful to the Subcommittee for establishing a food-cost-based standard for BAS and ending the one percent cap on BAS increases. But more needs to be done to permit single career enlisted members more individual responsibility in their personal living arrangements. In this regard, the Coalition believes it is inconsistent to demand significant supervisory, leadership and management responsibilities of noncommissioned and petty officers, but still dictate to them where and when they must eat their meals.

The Military Coalition urges the subcommittee to repeal the statutory provision limiting BAS eligibility to 12% of single members residing in government quarters. As a long-term goal, the Coalition supports extending full BAS eligibility to all single career enlisted members, beginning with the grade of E-6 and extending eligibility to lower grades as budgetary constraints allow.

Permanent Change of Station (PCS). The Military Coalition is most appreciative of the significant increases in the Temporary Lodging Expense (TLE) allowance authorized for FY 2002 and the authority to raise PCS per diem expenses to match those for federal civilian employees in FY 2003. These are very significant steps to upgrade allowances that had been unchanged in over 15 years. Even with these much-needed changes, however, servicemembers

continue to incur significant out-of-pocket costs in complying with government-directed relocation orders.

For example, PCS mileage rates have not been adjusted since 1985. The current rates range from 15 to 20 cents per mile —significantly lower than the temporary duty mileage rate of 36 cents per mile for military members and federal civilians. PCS household goods weight allowances were increased for grades E-1 through E-4, effective January 2003, but weight allowance increases are also needed for E5s and above and officers as well, to more accurately reflect the normal accumulation of household goods over the course of a career. The frequency of PCS moves coupled with the spotty quality record of many carriers requires continued improvements to the household goods movement process, to include an increased emphasis on measurable accountability standards for the evaluation of carriers. In addition, policies are needed to promote full replacement value reimbursements for lost or damaged household goods.

The overwhelming majority of service families own two privately owned vehicles, driven by the financial need for the spouse to work, or the distance some families must live from an installation and its support services. Authority is needed to ship a second POV at government expense to overseas' accompanied assignments. In many overseas locations, families have difficulty managing without a family vehicle because family housing is often not co-located with installation support services.

Last, with regard to families making a PCS move, members are authorized time off for housing-hunting trips in advance of PCS relocations, but must make any such trips at personal expense, without any government reimbursement such as federal civilians receive. Further, federal and state cooperation is required to provide unemployment compensation equity for military spouses who are forced to leave jobs due to the servicemember's PCS orders. The Coalition also believes continuation of and adequate funding for the Relocation Assistance Program is essential.

We are sensitive to the Subcommittee's efforts to reduce the frequency of PCS moves. But we cannot avoid requiring members to make regular relocations, with all the attendant disruptions of childrens' schooling, spousal career sacrifices, etc. The Coalition believes strongly that the Nation that requires them to incur these disruptions should not be requiring them to bear the resulting high expenses out of their own pockets.

The Military Coalition urges continued upgrades of permanent change-of-station reimbursement allowances in FY 2004 to recognize that the government, not the servicemember, should be responsible for paying the cost of government-directed relocations.

Education Benefits for Career Servicemembers. Active duty career servicemembers who entered service during the VEAP-era (1977 – 30 June 1985) but who declined to take VEAP are the only group of currently serving members who have not been offered an opportunity to enroll in the Montgomery GI Bill (MGIB). There are about 115,000 servicemembers in this situation. Many actually were discouraged from signing up for VEAP as it was acknowledged to be a woefully inferior program compared to the Vietnam-era GI Bill and the subsequent MGIB that started on 1 July 1985. As the backbone of today's force, these senior leaders are critical to the success of ongoing and pending military operations. When they complete their careers, they should have been afforded at least one opportunity to say "yes" or "no" to veterans' education benefits under the MGIB.

TMC strongly recommends allowing a MGIB sign-up window for career servicemembers who declined VEAP when they entered service.

Family Readiness and Support. The family continues to be a key consideration in the readiness equation for each servicemember. The maintenance of family readiness and support programs is part of the cost of performing the military mission. We must ensure that families have the opportunity to develop the financial and readiness skills needed to cope with deployment situations. It is important to meet the childcare needs of the military community including National Guard and Reserve members. Overall family support programs must meet the needs of National Guard and Reserve members being called to active duty in ever-increasing numbers.

The Military Coalition urges improved education and outreach programs and increased childcare availability to ensure a family readiness level and a support structure that meets the requirements of increased force deployments for active duty, National Guard and Reserve members.

Commissaries. The FY 2003 budget reduced Defense Commissary Agency funding by \$137 million and envisioned eliminating over 2,600 positions from stores and headquarters staff by September 30, 2003. While DeCA indicates there will be no loss in service to the customer, the Coalition is concerned that the size and scope of the reductions may negatively impact quality and service to customers, including additional store closings, reduced hours, longer cashier lines and reduced stock on store shelves. This would have a significantly adverse impact on the benefit, which is widely recognized as a valuable part of the servicemember's compensation package and a cornerstone of quality of life benefits. As it has in the past, The Military Coalition opposes any efforts to privatize commissaries and strongly supports full funding of the benefit in FY 2004 and beyond.

The Military Coalition opposes privatization of commissaries and strongly supports full funding of the benefit to sustain the current level of service for all commissary patrons.

NATIONAL GUARD AND RESERVE ISSUES

The Military Coalition applauds the longstanding efforts of this Subcommittee to address the needs of our Nation's National Guard and Reserve forces, to facilitate the Total Force concept as an operational reality, and to ensure that National Guard and Reserve members receive appropriate recognition as full members of the armed forces readiness team.

Support of Active Duty Operations. National Guard and Reserve members and units shoulder ever-greater day-to-day operational workloads. They increasingly have come to face many of the same challenges as their active counterparts.

Compounding the problem for National Guard and Reserve personnel, their increasing support of day-to-day active duty operations also has placed greater strains on the employers of these members. Employer support was always strong when National Guard and Reserve members were seen as a force that would be mobilized only in the event of a major national emergency. That support has become less and less certain as National Guard and Reserve members have taken longer and more frequent leaves of absence from their civilian jobs. Homeland defense

and war-on-terror operations continue to place demands on citizen soldiers that were never anticipated under the total force policy.

The Coalition understands and fully supports the Total Force Policy and the prominent role of the National Guard and Reserve forces under this policy. Still, the Coalition is concerned that ever-rising operational employment of National Guard and Reserve forces is having the practical effect of blurring the distinctions between the missions of the active and National Guard/Reserve forces. National Guard and Reserve members could eventually face resistance with employers and increased financial burdens when activated which would negatively impact their ability to perform assigned missions and reduce their propensity to remain in reserve service.

The Military Coalition urges continued attention to ensuring an appropriate match between National Guard and Reserve force strengths and missions.

Healthcare for Members of the National Guard and Reserve. Health insurance coverage has an impact on Guard and Reserve medical readiness and family morale. Progress has been made during transitional periods after call-ups but more needs to be done to provide continuity of care coverage for reserve component members.

Health insurance coverage varies widely for members of the Guard and Reserve: some have coverage through private employers, others through the Federal government, and still others have no coverage. Reserve families with employer-based health insurance must, in some cases, pick up the full cost of premiums during an extended activation. Although TRICARE “kicks in” at 30 days activation, many Guard and Reserve families would prefer continued access to their own health insurance. Being dropped from private sector coverage as a consequence of extended activation adversely affects family morale and military readiness and discourages some from reenlisting.

In 2001, DoD recognized this problem and announced a policy change under which DoD would pay the premiums for the Federal Employee Health Benefit Program (FEHBP) for DoD reservist-employees activated for extended periods. However, this new benefit only affects about 10% of the Selected Reserve. As a matter of morale, equity, and personnel readiness, more needs to be done to assist reservists who are being called up more frequently in support of national security missions.

The Military Coalition urges making the TRICARE medical program available for members of the National Guard and Reserves and their families on a cost-sharing basis in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve. In addition, to further ensure continuity of coverage for family members, the Coalition urges allowing activated Guard/Reserve members the option of having the Department of Defense pay their civilian insurance premiums during periods of activation.

SSCRA Issues. The Coalition very much appreciates the Subcommittee’s approval of the change in law to permit Soldiers’ and Sailors’ Civil Relief Act (SSCRA) protections for National Guard servicemembers activated by state Governors under Title 32, at the request of the President, in support of homeland defense missions.

The Military Coalition recommends that the SSCRA be brought up to date to fully protect Guard and Reserve families from economic calamity.

Selected Reserve Montgomery GI Bill (MGIB) Improvements. Individuals who first become members of the National Guard or Reserve are eligible for the Selected Reserve Montgomery GI Bill (MGIB-SR).

Unlike the basic MGIB authorized under Title 38, the Reserve GI Bill program is governed by Chapter 1606 of Title 10. The problem is that the Reserve MGIB-SR program competes with National Guard and Reserve pay accounts for funding. Over the last three years, there have been no increases to MGIB-SR benefits.

During the same period, basic benefits for full-time study under the regular MGIB (Title 38) have gone up 46 percent. In October 2003, the monthly rate will increase to \$985.

In addition, the MGIB-SR is paid out of the National Guard and Reserve personnel appropriations, and the Reserve chiefs are forced to absorb any MGIB-SR increases out of these accounts. The Coalition believes that total force equity requires automatic proportional adjustments to the MGIB-SR whenever benefits rise under the regular MGIB. One way to facilitate this objective is to transfer the MGIB-SR program to Title 38.

The Military Coalition recommends transfer of the Reserve MGIB-SR authority from Title 10 to Title 38 to permit proportional benefit adjustments in line with the basic MGIB program and to ensure this program is applied consistently and equitably to all members of the Total Force.

Tax issues. The Coalition understands that tax matters fall under the purview of a different committee. But there are unique issues affecting members of National Guard and Reserve forces, and we hope that members of the Subcommittee will seek the support of the Ways and Means Committee in addressing them.

Guardsmen and Reservists are being asked to train more to enhance their readiness to support contingency missions, and are incurring considerable unreimbursed expenses for such training-related items as travel, overnight lodging, meals and uniforms. Prior to the 1986 tax code revision, these expenses were fully deductible; under current law, they are only deductible to the extent they exceed two percent of adjusted gross income. In a case where the member and spouse combined earn \$40,000, the member must absorb the first \$800 per year of training-related expenses. A member and spouse earning \$30,000 each must absorb \$1,200 per year. This is a significant financial penalty for members who serve their country, and needs to be corrected. National Guard and Reserve members should not be required to subsidize their own military training.

The Military Coalition urges the Subcommittee's active support for restoration of full tax-deductibility of non-reimbursable drill-related expenses for Guard and Reserve members.

With today's increasing operations tempo, the support of National Guard and Reserve members' employers is more essential than ever. Yet more frequent absence of National Guard and Reserve employees for training or operations is undermining that support, as mentioned above. The Subcommittee's help is needed to foster additional incentives for employers to help offset their costs associated with their employees' military activities.

The Military Coalition urges authorization of tax credits for employers of National Guard and Reserve employees.

Retirement Credit for All Earned Drill Points. The role of the National Guard and Reserve has changed significantly under the Total Force Policy. During most of the Cold War era, the maximum number of inactive duty training (IDT) points that could be credited was 50 per year. The cap has since been raised on three occasions to 60, 75 and most recently, to 90 points in FY2001. The Coalition is most appreciative of Congress' approval of the increases.

However, the fundamental question is why National Guard and Reserve members are not permitted to credit all the training that they've earned in a given year towards their retirement. The typical member of the National Guard and Reserve consistently earns IDT points above the 90-point maximum. Placing a ceiling on the amount of training that may be credited for retirement serves as a disincentive to professional development and takes unfair advantage of National Guard and Reserve servicemembers' commitment to mission readiness.

The Military Coalition recommends lifting the 90-point cap on the number of Inactive Duty Training (IDT) points earned in a year that may be credited for National Guard and Reserve retirement purposes.

Unlimited Commissary Access. National Guard and Reserve members are authorized 24 commissary visits per year. Visits are tracked by a cumbersome and costly access card that must be reissued each year by Reserve component commands. The process of issuing, checking, and accounting for these separate cards contradicts DoD's policy of a "seamless, integrated total force" symbolized by the issuance of green ID cards to all members of the Selected Reserve. Because only 35-40 percent of National Guard and Reserve members live close enough to commissary stores to be able to use them conveniently, there is little chance of excessive use by National Guard and Reserve members. In fact, the 24-visit limit is tantamount to full privileges for the vast majority of National Guard and Reserve personnel. Thus, the sole effect of the 24-visit limit is to treat National Guard and Reserve members as second-class citizens and to impose burdensome administrative requirements on Guard and Reserve units. Equal access to commissary stores by the National Guard and Reserve is an imperative that recognizes the increased responsibility of National Guard and Reserve forces for the national security.

The Military Coalition recommends doing away with the 24-visit access cards and extending unrestricted commissary access to members of the National Guard and Selected Reserve.

Academic Protections for Mobilized Guard and Reserve Servicemembers. TMC is aware of a growing number of cases of denied academic credit, lost academic status, and financial difficulties experienced by student-reservists called to extended active duty. The problem is not new and occurred widely during the Gulf War, but no corrective action has been taken since then. If the nation is to routinely mobilize large numbers of Guard and Reserve servicemembers, they must be assured of reasonable protections when their academic work is interrupted. Comparable economic and legal protections are available under the Soldiers and Sailors Civil Relief Act and the time has come to authorize similar protections for reservists who lose their academic standing through no fault of their own.

TMC recommends that the Committee endorse legislative proposals to afford academic and financial protections to National Guard and Reserve post-secondary students activated into extended federal service.

RETIREMENT ISSUES

The Military Coalition is grateful to the Subcommittee for its historical support of maintaining a strong military retirement system to help offset the extraordinary demands and sacrifices inherent in a career of uniformed service.

Concurrent Receipt of Military Retired Pay and VA Disability Compensation. The Coalition was disappointed that agreement could not be reached by last year's Conference Committee to provide unconditional concurrent receipt in the FY 2003 National Defense Authorization Act, but appreciates the "first ever" provisions that were provided to eliminate the disability offset for certain retirees who were severely disabled by combat and operations-related incidents. The Subcommittee's action to establish a "beachhead" in law is very significant in recognizing that military retired pay and veterans disability compensation are paid for different purposes, and one should not offset the other.

The Coalition has long held that retired pay is earned compensation for completing a career of arduous uniformed service, while veterans disability compensation is paid for loss of function and future earning potential caused by a service-connected disability.

Previous attempts to fix this inequity have all been met with the same response—the cost is too large. But, the cost to men and women in uniform who have been injured while serving this Nation is far greater. Because of cost concerns, last year's authority was limited to a very special group of disabled retirees—those injured in combat, or other combat related operations. But there are thousands of deserving disabled retirees who have been left behind.

No one disabled in the course of serving his or her country should have to forfeit an earned retirement—for years of faithful and dedicated service—in order to receive VA disability compensation for the wounds, injuries, or illnesses incurred in such service.

The Coalition believes strongly that the 90 percent cosponsorship support that existed in the 107th Congress was inconsistent with the outcome, and that further action is essential to address the grossly unfair financial penalties visited for so long on those who already have suffered most for their country—military retirees disabled as a result of their service.

The Coalition is particularly concerned that, during last-minute final negotiations on the FY 2003 Defense Authorization Act, changes in eligibility language inadvertently omitted three classes of disabled retirees who otherwise fall within the criteria enacted into law.

First, technical language in last year's limited concurrent receipt provision effectively excluded virtually all National Guard and Reserve retirees with 20 years of creditable service and combat-related disabilities. There are many retired reservists who were awarded Purple Hearts and have combat-related disabilities. Their Guard and Reserve status did not protect them from being wounded on the battlefield, and they should not be discriminated against by this legislation.

Second, there are a very limited number of retirees who received nondisability retirements with 15 to 19 years of service during the drawdown of the early 1990s and who also have otherwise-

qualifying combat-related disabilities. These members earned their military retirement independently of their disability and should be eligible to receive the special compensation if their disabilities would otherwise qualify.

Finally, enlisted retirees who were awarded one of the top two decorations for valor are authorized an extra 10 percent in retired pay (within the maximum limit of 75 percent of basic pay). The Coalition believes strongly that the modest extra retired pay awarded these members for their combat heroism should not be subject to the disability offset.

The Military Coalition urges Subcommittee leaders and members to expand on last year's concurrent receipt provision and eliminate the disability offset for all disabled retirees. As a priority, the Coalition urges the Subcommittee to amend last year's authority to include certain otherwise-qualifying Guard and Reserve retirees, Early Retirement Authority retirees, and enlisted retirees with high decorations for extraordinary valor.

Final Retired Pay Check. The Military Coalition believes the policy requiring the recovery of a deceased member's final retired pay check from his or her survivor should be changed to allow the survivor to keep the final month's retired pay payment.

Current regulations led to a practice that requires the survivor to surrender the final month of retired pay, either by returning the outstanding paycheck or having a direct withdrawal recoupment from his or her bank account. The Coalition believes this is an insensitive policy coming at the most difficult time for a deceased member's next of kin. Unlike his or her active duty counterpart, the retiree will receive no death gratuity. Many of the older retirees will not have adequate insurance to provide even a moderate financial cushion for surviving spouses. Very often, the surviving spouse has had to spend the final retirement check/deposit before being notified by the military finance center that it must be returned. Then, to receive the partial month's pay of the deceased retiree up to the date of death, the spouse must file a claim for settlement and wait for the military's finance center to disburse the payment. Far too often, this strains the surviving spouse's ability to meet the immediate financial obligations commensurate with the death of the average family's "bread winner."

The Military Coalition strongly recommends that surviving spouses of deceased retired members should be allowed to retain the member's full retired pay for the month in which the member died.

Former Spouse Issues. The Military Coalition recommends corrective legislation be enacted to eliminate inequities in the Uniformed Services Former Spouse Protection Act (USFSPA) that were created through years of well-intended, piecemeal legislative action initiated outside the Subcommittee.

The Coalition supports the recommendations in the Department of Defense's September 2001 report, which responded to a request from this committee for an assessment of USFSPA inequities and recommendations for improvement. The DoD recommendations to allow the member to designate multiple survivor benefit plan beneficiaries would eliminate the current unfair restriction that denies any SBP coverage to a current spouse if a former spouse is covered, and would allow dual coverage in the same way authorized by federal civilian SBP programs. The Coalition also recommends that the Defense Finance and Accounting Service (DFAS) be required to make direct payments to the former spouses, regardless of length of marriage: the

one-year deemed election period for SBP eligibility be eliminated; and if directed by a valid court order, DFAS should be required to deduct SBP premiums from the uniformed services retired pay awarded to a former spouse. Also, DoD recommends that prospective award amounts to former spouses should be based on the member's grade and years of service at the time of divorce—rather than at the time of retirement. TMC supports this proposal since it recognizes that a former spouse should not receive increased retired pay that is realized from the member's service and promotions earned after the divorce.

In addition, with the exception of the National Military Family Association and the Association of the United States Army, the Coalition supports legislation introduced by Rep. Cass Ballenger (R-NC) H.R. 1111 that would limit the duration of payments to former spouses whose marriage to the servicemember did not encompass 20 years of the member's uniformed service. This proposal would limit the period of a former spouse's retired pay payments to the number of years the former spouse's marriage overlapped with a retired member's uniformed service. The Coalition believes strongly in the simple equity premise of this legislation—that if a servicemember must serve 20 years to acquire lifetime retirement benefits, a former spouse should meet the same standard to acquire a lifetime share in those benefits.

The Military Coalition recommends corrective legislation as envisioned by Rep. Ballenger's H.R. 1111 and the proposals submitted by the Department of Defense be enacted to eliminate inequities in the administration of the Uniformed Services Former Spouse Protection Act.

Tax Relief for Uniformed Services Beneficiaries. To meet their health care requirements, many uniformed services beneficiaries pay premiums for a variety of health insurance programs, such as TRICARE supplements, the active duty dental plan or TRICARE Retiree Dental Plan (TRDP), long-term care insurance, or TRICARE Prime enrollment fees. For most beneficiaries, these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 percent of their adjusted gross taxable income, as required by the IRS.

This creates a significant inequity with private sector and some government workers, many of whom already enjoy tax exemptions for health and dental premiums through employer-sponsored health benefits plans. A precedent for this benefit was set for other Federal employees by a 2000 Presidential directive allowing federal civilian employees to pay premiums for their Federal Employees Health Benefits Program (FEHBP) coverage with pre-tax dollars.

The Coalition supports legislation that would amend the tax law to let Federal civilian retirees and active duty and retired military members pay health insurance premiums on a pre-tax basis. Although we recognize that this is not within the purview of the Armed Services Committee, the Coalition hopes that the Subcommittee will lend its support to this legislation and help ensure equal treatment for all military and federal beneficiaries.

The Coalition urges the Subcommittee to support legislation to provide active duty and uniformed services beneficiaries a tax exemption for premiums or enrollment fees paid for TRICARE Prime, TRICARE Standard supplements, the active duty dental plan, TRICARE Retiree Dental Plan, FEHBP and Long Term Care.

Involuntary Separation Pay. A law change enacted in 2000 denies separation pay to officers twice deferred for promotion who decline continuation to 20 years of service.

The Coalition urges the subcommittee to reconsider. This legislation is particularly unfair to officers deferred a second time for promotion to O-4 (at approximately 13 years of service), who can find themselves coerced into an untenable choice between serving an additional 7 years without advancement opportunities or separating after more than a decade of service without any separation pay. Previously, officers could decline such an offer and still receive separation pay, in recognition of the inconsistency between deeming an officer noncompetitive for advancement in the military and simultaneously creating financial barriers to allowing the officer to pursue civilian career opportunities.

The Coalition believes such an insensitive practice can only encourage officers to leave service early rather than risk investing 13 years of service and be treated so unfairly if deemed noncompetitive. Perceptions of this unfairness have led to varied applications in different services, which only heightens the inequity.

The Military Coalition urges reinstatement of involuntary separation pay eligibility for officers twice deferred from promotion who decline continuation to 20 years.

SURVIVOR PROGRAM ISSUES

The Coalition thanks the Subcommittee for past support of improvements to the Survivor Benefit Plan (SBP); most recently the provision in the FY 2002 Defense Authorization Act that extended SBP eligibility to members killed on active duty, regardless of years of service. This action helped a great deal in addressing a long-standing survivor benefits disparity.

But serious SBP inequities remain to be addressed. The Coalition hopes that this year the Subcommittee will be able to support an increase in the minimum SBP annuity for survivor's age 62 and older, and consider a more equitable paid-up SBP implementation schedule for pre-1978 SBP enrollees.

Age-62 SBP Annuity Increase. Since SBP was first enacted in 1972, retirees and survivors have inundated DoD, Congress and military associations with letters decrying the reduction in survivors' SBP annuities that occurs when the survivor attains age-62. Before age-62, SBP survivors receive an annuity equal to 55 percent of the retiree's SBP covered retired pay. At age-62, the annuity is reduced to a lower percentage, down to a floor of 35 percent of covered retired pay. For many older retirees, the amount of the reduction is related to the amount of the survivor's Social Security benefit that is attributable to the retiree's military service. For members who attained retirement eligibility after 1985, the post-62 benefit is a flat 35 percent of covered retired pay.

Although this age-62 reduction, or offset, was part of the initial SBP statute, large numbers of members who retired in the 1970s (or who retired earlier but enrolled in the initial SBP open season) were not informed of it at the time they enrolled. This is because the initial informational materials used by DoD and the Services to describe the program made no mention of the age-62 offset. Thus, thousands of retirees signed up for the program in the belief that they were ensuring their spouses would receive 55 percent of their retired pay for life. Many retirees who are elderly and in failing health, with few other insurance alternatives available at a reasonable cost, are understandably very bitter about what they consider the government's "bait and switch" tactics.

They and their spouses are also stunned to learn that the survivor reduction attributed to the retiree's Social Security-covered military earnings applies even to widows whose Social Security benefit is based on their own work history.

To add to these grievances, the originally intended 40-percent government subsidy for the SBP program—which has been cited for more than two decades as an inducement for retirees to elect SBP coverage—has declined to less than 25 percent. This is because retiree premiums were established in statute in the expectation that retiree premiums would cover 60 percent of expected long-term SBP costs, based on the DoD Actuary's assumptions about future inflation rates, interest rates, and mortality rates. However, actual experience has proven these assumptions far too conservative, so that retiree premiums now cover 75 percent of expected SBP benefit costs. In effect, retirees are being charged too much for the long-promised benefit, and the government is contributing less to the program than Congress originally intended.

This is not the first time the subsidy has needed to be addressed. After the subsidy had declined to similar low levels in the late 1980s, Congress acted to restore the balance by reducing retiree premiums. Now that the situation has recurred, the Coalition believes strongly that the balance should be restored this time by raising the benefit for survivors.

The chart below highlights another significant inequity—the much higher survivor annuity percentage and subsidy percentage the government awards to federal civilian survivors compared to their military counterparts.

Federal Civilian vs. Military SBP Annuity and Subsidy

	<u>CSRS*</u>	<u>FERS**</u>	<u>Military</u>
Post-62 % Of Ret Pay	55%	50%	35%
Gov't Subsidy	48%	33%	25%

*Civil Service Retirement System

**Federal Employees Retirement System

Because servicemembers retire at younger ages than federal civilians, retired servicemembers pay premiums for a far longer period. The combination of greater premium payments and lower age-62 benefits leave military retirees with a far less advantageous premium-to-benefit ratio—and therefore a far lower federal survivor benefit subsidy than their retired federal civilian counterparts.

The FY 2001 Defense Authorization Act included a "Sense of Congress" provision specifying that legislation should be enacted to increase the SBP age-62 annuity to "reduce and eventually eliminate" the different levels of annuities for survivors age-62 and older versus those for younger survivors. But that statement of support remains to be translated into substantive relief.

The Military Coalition strongly supports legislation sponsored by Sen. Olympia Snowe and Rep. Jeff Miller (S. 451 and H.R. 548, respectively) that, if enacted, would eliminate the disparity

over a five year period—raising the minimum SBP annuity to 40 percent of SBP-covered retired pay on October 1, 2004; to 45 percent in 2005; and to 50 percent in 2006 and finally to 55 percent in 2007.

We appreciate only too well the cost and other challenges associated with such mandatory spending initiatives, and believe this incremental approach offers a reasonable balance between the need to restore equity and the need for fiscal discipline. The cost could be partially offset by authorizing an open enrollment season to allow currently non-participating retirees to enroll in the enhanced program, with a late-enrollment penalty tied to the length of time since they retired. A similar system was used with the last major program change in 1991.

The Military Coalition strongly recommends elimination of the age-62 Survivor Benefit Plan annuity reduction. To the extent that immediate implementation may be constrained by fiscal limitations, the Coalition urges enactment of a phased annuity increase as envisioned in S. 451 and H.R. 548.

30-Year Paid-Up SBP. Congress approved a provision in the FY 1999 Defense Authorization Act authorizing retired members who had attained age-70 and paid SBP premiums for at least 30 years to enter "paid-up SBP" status, whereby they would stop paying any further premiums while retaining full SBP coverage for their survivors in the event of their death. Because of cost considerations, the effective date of the provision was delayed until October 1, 2008.

As a practical matter, this means that any SBP enrollee who retired on or after October 1, 1978 will enjoy the full benefit of the 30-year paid-up SBP provision. However, members who enrolled in SBP when it first became available in 1972 (and who have already been charged higher premiums than subsequent retirees) will have to continue paying premiums for up to 36 years to secure paid-up coverage.

The Military Coalition is very concerned about the delayed effective date, because the paid-up SBP proposal was initially conceived as a way to grant relief to those who have paid SBP premiums from the beginning. Many of these members entered the program when it was far less advantageous and when premiums represented a significantly higher percentage of retired pay. In partial recognition of this problem, SBP premiums were reduced substantially in 1991, but these older members still paid the higher premiums for up to 18 years. The Coalition believes strongly that their many years of higher payments warrant at least equal treatment under the paid-up SBP option, rather than forcing them to wait five more years for relief, or as many retirees believe, waiting for them to die off.

The Military Coalition recommends accelerating the implementation date for the 30-year paid-up SBP initiative to October 1, 2003.

Active Duty SBP. Active duty SBP provisions in the FY 2002 National Defense Authorization Act gave active duty members a significantly enhanced SBP benefit. However, the law inadvertently set different rules for active duty and retired members and survivors regarding payment of SBP benefits to eligible children. Currently, in the case of survivors of retirees with "spouse and child" coverage, the payments transfer from the spouse to the minor child(ren) if the spouse remarries before the children lose their dependent status. But an inadvertent inconsistency in the FY 2002 law change does not allow such transfer in the case of a remarriage

of a survivor of a member who died on active duty. In such cases, the children can receive SBP payments only if the surviving spouse dies.

Payment of benefits to children should be authorized if the surviving spouse remarries, regardless of whether the member died on active duty or in retirement.

In addition, SBP eligibility should switch to the children if a surviving spouse is convicted of complicity in the member's death.

The Military Coalition recommends authorizing transfer of SBP payments to surviving children in the event that any surviving spouse remarries or is convicted of complicity in the servicemember's death.

Death Gratuity. The current death gratuity amount was last increased in 1991 when it was raised from \$3,000 to \$6,000. This amount is insufficient to cover costs incurred by families responding to the death of an active member. The Coalition believes the Subcommittee was correct last year in seeking to double the death gratuity and making it tax-free.

The Military Coalition recommends increasing the military death gratuity from \$6,000 to \$12,000, and making the gratuity tax-free.

SBP-DIC Offset. Currently, SBP survivors whose sponsors died of service-connected causes have their SBP annuities reduced by the amount of Dependency and Indemnity Compensation payable by the VA.

The Coalition believes this offset is not appropriate, because the SBP and DIC programs serve distinct purposes. SBP is a retiree-purchased program, which any retiring member can purchase to provide the survivor a portion of his or her retirement. DIC, on the other hand, is special indemnity compensation to the survivor of a member whose service caused his or her death.

The Coalition believes strongly that the government owes extra compensation ("double indemnity compensation," in essence, rather than "substitute compensation") in cases in which the member's death was caused by his or her service.

Although the survivor whose SBP is reduced now receives a pro-rata rebate of SBP premiums, the survivor needs the annuity, not the premium refund. Award of DIC should not reduce award of SBP any more than it reduces payment of SGLI life insurance benefit.

The Military Coalition recommends eliminating the DIC offset to Survivor Benefit Plan annuities, recognizing that the two compensations serve different purposes, and one is not substitutable for the other.

CONCLUSION

The Military Coalition reiterates its profound gratitude for the extraordinary progress this Subcommittee has made in securing a wide range of personnel and health care initiatives for all uniformed services personnel and their families and survivors. The Coalition is eager to work with the Subcommittee in pursuit of these goals outline in our testimony.

Thank you very much for the opportunity to present the Coalition's views on these critically important topics.



**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

MARCH 13, 2003



QUESTIONS SUBMITTED BY MR. MEEHAN

Mr. MEEHAN. The A.H.A.P. contains a measurement component requiring you to evaluate the effectiveness of the Armed Service's implementation of the Plan. Please describe in detail what each of the Armed Services has done to measure the effectiveness of the A.H.A.P. programs.

Dr. CHU. The military services address the evaluation of the implementation of the plan through their Inspectors General. The Air Force Inspector General evaluates and assesses training as part of periodic compliance audits. The Army Inspector General conducted an inspection to ensure that homosexual conduct policy training was being conducted in both the Army's Active and Reserve Components in Fiscal Years 2001/2002, with the next inspection scheduled for Fiscal Year 2004. Navy Inspector General staffs include, as an item of specific interest in their inspections, the training of those charged with application and enforcement of the policy on homosexual conduct. Likewise, the Marine Corps Inspector General briefs the Homosexual Conduct Policy as a special interest item during their inspections. As a part of this responsibility, the office of the Inspector General inspects to determine if commands are in compliance with directed training requirements.

In addition, as part of the Army's Human Relations Survey 2000, the Army asked soldiers questions about the environment as it relates to the homosexual conduct policy. Overall conclusions drawn from this survey showed that the Army provides a generally effective human relations environment, and human relations issues are not the most serious concerns of soldiers or their leaders. The Army plans to ask the same questions reference the homosexual conduct policy in this year's Human Relations Survey.

Mr. MEEHAN. What other mechanisms do you have in place to determine whether your efforts are having an effect on the levels of anti-gay harassment?

Dr. CHU. All of the military services have issued appropriate guidance regarding the treatment of Service members, and they conduct extensive training on this subject, including training for leaders (officer and noncommissioned officers), legal officers, and Service members. These efforts are overseen by Service Inspectors General.

We note that in Fiscal Year 2002, the number of discharges under the provision of this law declined, and that the Service member's Legal Defense Network reported fewer incidents of harassment.

Mr. MEEHAN. I understand that the Department of Defense maintains records of sexual harassment cases. To my knowledge, the Department of Defense does not have a system to keep records of harassment based on perceived or actual sexual orientation. If that is correct, why does not the Department of Defense maintain systematic records of such cases? If that is not correct, please provide me with a summary of data relating to harassment based on perceived or actual sexual orientation.

Dr. CHU. The Military Services maintain records of formal complaints of sexual harassment as part of military equal opportunity programs. Formal complaints consist of complaint filed according to specific Service procedures and documented on specific Service forms. Complaints resolved via the unit chain of command and records of those complaints and resultant actions are not necessarily maintained in a Service system of records.

Similarly, if complaints of harassment (stemming from perceived sexual orientation) are resolved through the unit chain-of-command, there will not be a Service system of records. However, complaints that are entered into formal channels through the Inspector General office, military police reports, or Service investigative agencies, should be maintained within their respective system of records. There is no mechanism for consolidating the records of these complaints at the Departmental level.

Mr. MEEHAN. Are E.O. offices an effective resource for persons being harassed based on perceived homosexual orientation? Please provide the factual basis for your response to this question, including any statistical information to support your answer.

Dr. CHU. An individual being harassed and reporting it to a military Equal Opportunity Office would be referred by that office to the appropriate Service resource

for addressing the complaint. This may be the chain of command, the Inspector General, or an investigative agency. In the case where confidential counseling is sought, the individual should be referred to the chaplain, since equal opportunity advisors are not offered confidentiality or privileged communication. We believe that an individual being harassed as a result of perceived sexual orientation should report it to their commanders, who have the ultimate responsibility to prevent and remedy this harassment. Service members are not required to identify their sexual orientation in the context of this complaint.

QUESTIONS SUBMITTED BY MR. RYUN

Mr. RYUN. During the Subcommittee on Personnel hearings held last year, you stated, "60 per cent of our troops have families responsibilities. . . . the Department must forge a new social compact with its war fighters to underwrite family support programs . . . connects with family and friends."

Two years ago the Army National Guard provided computers and ISP connectivity to Guardsmen in 26 states, under the LINK program. LINK provided the additional beneficial results of:

- Communications tools to LINK our soldiers to information, benefits
- Distance learning through AKO
- Command and Control with other soldiers, and their leadership via ISP
- When deployed, maintain contact with the family
- Proficiency with highly technical weaponry

What is the status of providing ISP connectivity for our Service personnel?

Dr. CHU. For the 11,698 National Guard LINK recipients, we provided a dial-up service. LINK is a successful program that received warm support from the participating states. If we were to continue LINK, we would pursue Broad Band Connectivity.

However, due to current events, mission requirements, and other priorities, funding was not requested for the continuation of the LINK program. The ISP service will terminate as of September 30, 2003.

Mr. RYUN. With the success of LINK program, can LINK be expanded to include both Active and Reserve personnel?

Dr. CHU. While this program is easily transferable across the entire DoD community, due to OPTEMPO and mobilization issues, money for the LINK program, as originally designed, is not available.

Mr. RYUN. During Desert Storm telephone service was provided to our troops. Is it more cost effective to provide email and Internet connectivity for our service personnel to stay in contact with their families and friends? How would this approach enhance morale?

Dr. CHU. Past experience has shown that email and Internet communication alone is not necessarily more effective than telephone. The Marines have found that they can establish telephone connectivity faster than Internet in remote locations. Email takes less time to transmit a message, but the Internet is limited by the amount of commercial bandwidth that is available. The Military uses its satellites for official communication and under most situations cannot permit unofficial uses that would consume available bandwidth. The use of official networks for morale email is also hampered by network security requirements.

Each of the military exchanges contracts with AT&T to provide unofficial communications. Army & Air Force Exchange System currently provides both phone and Internet access based upon requests from Central Command for Operation Enduring Freedom (OEF). Phone rates for the various locations range from 22.5 cents per minute to the U.S. from Kuwait, up to 53 cents per minute from other OEF countries using the global pre-paid card. AAFES' Internet cafe provides service in Kuwait at the rate of 10 cents per minute. Aboard ships, the Navy exchange, through a partnership with AT&T, provides phone service for \$1.00 per minute (by comparison, rates on commercial cruise liners are routinely in excess of \$5.00 per minute). Sailors can use AT&T prepaid cards. E-mail aboard ship is provided by the Navy at no cost to the military member.

The majority of current morale calls are placed through the Defense Systems Network (DSN) from OEF locations to the military installation that is closest to the individual's family. In addition, DoD is pursuing enhancements to make it easier for troops to use their personal calling cards for the last leg of the phone call from the Public Switched Network operator at the military installation to their families.

Providing both phone and Internet capability supports the morale of those who wish to send an email and those who desire to hear the voices of loved ones. In addition, some family members do not have access to a computer. Having access to both

phone and email communications gives Service members more opportunities to communicate home, and in formats that best fit their communication needs and their deployment circumstances.

QUESTIONS SUBMITTED BY MR. HAYES

Mr. HAYES. An issue that has been brought to my attention is the "suggested packing list" for those who deploy. Many folks, most of whom are members of the National Guard, are given a list that includes items such as batteries, granola bars, duct tape, PT clothing, boot polish, extra Kevlar, a saw and a basic medical pack. Should families send their loved ones off with the entire list, it can often cost them upwards of \$1400. For the families in my district in NC, this is a lot of money, especially if the deploying family member will take a pay cut. Some of these items seem mandatory in nature, and things perhaps the military should be supplying. What can be done to help ease this financial burden and are most of these items recommended or requirements?

Dr. CHU. Suggested packing lists vary from unit to unit and are usually derived from information obtained from earlier deployers to the forward location. These suggested items are of the type normally found at a Post Exchange (PX) and members deploying under field conditions are expected to pack those items, as a PX may not be available. Suggested lists also remind members to get several months supply of medications. Required items are always furnished, except for items (such as socks, undergarments, etc.) that are mostly provided for in an annual clothing allowance for enlisted troops. Of the items listed in your question, the most expensive items (PT clothing, Kevlar, squad automatic weapon (SAW) and basic medical pack) are government issued and account for the majority of the \$1400 cost estimate for this list. The remaining items—batteries, granola bars, duct tape, and boot polish—appear to be suggested items.



FISCAL YEAR 2004 NATIONAL DEFENSE AUTHORIZATION ACT—DOMESTIC VIOLENCE, JOINT OFFICER MANAGEMENT AND EDUCATION REFORM, EMPLOYER SUPPORT OF THE GUARD AND RESERVE, RESERVE PAY AND BENEFITS AND DEPARTMENT OF DEFENSE ACTIVE AND RESERVE COMPONENT FORCE MIX STUDY

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
TOTAL FORCE SUBCOMMITTEE,
Washington, DC, Wednesday, March 19, 2003.

The subcommittee met, pursuant to call, at 2:05 p.m., in room 2212, Rayburn House Office Building, Hon. John M. McHugh (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE

Mr. MCHUGH. The committee will come to order. Welcome, all, I appreciate your being here. Today's hearing represents the subcommittee with the opportunity to hear the results of several studies and investigative outcomes that are relevant to issues we are likely to address as part of our consideration of the fiscal year 2004 National Defense Authorization Act.

Specifically, we will hear testimony on the final report of the congressional mandated defense task force on domestic violence, and DOD's response to it, studies by the General Account Office (GAO) and Booz Allen Hamilton regarding joint officer management and joint professional military education. The GA report on employer's support of the national guard and reserves and an interim GAO report on reserve component pay, benefits and retirement. And, lastly, not leastly, the Department of Defense's study of active and reserve component force mix.

In my view, the information on each of these topics is important to our decision process and on legislation in the near term. More importantly, these studies help to set a context for which our longer-term actions will rest.

We have four panels today and in the interest of moving directly to the testimony, I would now recognize the gentlelady from California, Ms. Sanchez, for any opening remarks she may wish to make.

**STATEMENT OF HON. LORETTA SANCHEZ, A REPRESENTATIVE
FROM CALIFORNIA**

Ms. SANCHEZ. Thank you, Mr. Chairman. And, thank you—well, first of all, I do understand that Dr. Snyder is now in the area, but still a little under the weather and recuperating from surgery. So, I am hoping he gets back soon so I can back to my regular duties and he will have the honor of spending more time with the chairman.

I am pleased to be here today. And the issues that we are going to raise at today's hearing touch on a number of important issues, including domestic violence in the military, joint officer management, support for the guard and reserve and reserve compensation. And I am pleased to see that the co-chairs of the Defense Task Force on Domestic Violence are here with us today, Deborah Tucker, the Executive Director of the National Training Center on Domestic and Sexual Violence, and Lieutenant General Garry Parks, Deputy Commandant for Manpower and Reserve Affairs.

I have had the pleasure of being with these two people on the task force and seeing some of the work that the task force has done. So, I am anxious to get this information out into this hearing and to continue to keep an eye on what is going on with respect to domestic violence. And the reason is pretty straightforward.

I mean, we have only to look at the murders and suicides that happened last year at Fort Bragg, North Carolina to understand that domestic violence is still within our military forces. And it is a problem. It directly impacts the military readiness of our troops and our families.

And, I would also like to thank the other two gentlemen who are with us today, Charles Abell, the Principal Deputy Undersecretary of Defense for Personnel and Readiness; and John Molino, Deputy Under Secretary of Defense for Military Community and Family Policy. And, I have a lot of other written remarks, Mr. Chairman, but in the interest of time, because it is busy, if I could submit them for the record, we can move on to our panelists.

[The prepared statement of Ms. Sanchez can be found in the Appendix on page 389.]

Mr. MCHUGH. I thank the gentlelady. And, without objection, so ordered. And, let me just state for the record, that, of course, all of us are heartened by the fact that Vic Snyder, Dr. Snyder, has rejoined us and he is working toward a full schedule and we look forward to working with him.

Although, I will tell you, it is always a genuine pleasure to work with Ms. Sanchez, who has a very long—well, not all that long, because I do not want to date anybody here, but has had a record of great involvement in these issues and I appreciate her continuing concern and her continuing diligent efforts.

Let me, although Ms. Sanchez certainly mentioned them for the record, again, introduce the member of our first panel, the Defense Task Force on Domestic Violence and their final report, as was said, we are honored to be joined today by the Lieutenant General Garry L. Parks, who is Deputy Commandant for Manpower and Reserve Affairs to the United States' Marine Corps; and Deborah D. Tucker, Executive Director, National Center on Domestic and Sexual Violence.

The other two members of the panel, equally important, is the Honorable Charles Abell, Principal Deputy Under Secretary of Defense for Personnel and Readiness, who is accompanied by Mr. John M. Molino, Deputy Under Secretary of Defense for Military Community and Family Policy.

And, let me just say at the outset, Ms. Tucker, you have provided invaluable assistance to the subcommittee during our visit to Fort Bragg last year, of which I personally want to thank you before this august body and this interested audience. But, beyond that, the fact of the matter is you have devoted nearly three years of your life to this task force.

And, from all that I have heard, all that I have observed and all that I have learned, your commitment and your sound judgment, experience and common sense, something we probably could use a little bit more of in this town, have been absolutely essential to the task force's effectiveness and I want to—I want you to know that your place as co-chair has placed significant beyond demands upon you, which we recognize and certainly go beyond most of what we ask of other people. You have excelled and I just wanted to commend you for that effort and tell you how much we appreciate it.

And, General Parks, I also want to thank you for your contribution, sir. I heard your testimony last week in your role as Deputy Commandant for Manpower and Reserve Affairs and I welcome you back as the co-chair of that task force.

Secretary Abell, welcome. Today, as far as I am concerned, you, on behalf of the Department of Defense, will in Army parlance, conduct a passage of lines of with the task force. Hereafter the Department of Defense, as you well know, sir, has the responsibility for carrying out the recommendations developed by the task force. And, again, as I know you know, there is great interest on this subcommittee, not only how the department will carry out that mission, but also how aggressively.

I hope you all understand, although all of the topics that we are going to address today are of great interest to the task force, there's no question that none has captured our attention more than the issue of domestic violence. We are, apparently poised, on the verge of military conflict.

But, it is equally important to recognize and remember that those serve at home, the families are part of this important effort as well. And, as we tragically saw in Fort Bragg we have instances where lives are lost here domestically through what we hope are circumstances that we can better control and provide more assistance for. And that's our collective judgment. I do not question that for a moment.

So, we are looking forward to your testimony. And, as a last formality, let me just say that all the witnesses' testimony has been received in its entirety. I have reviewed it all. And, without objection, each of your written statements will be entered in its entirety for the record. I would also note we have received statements for the hearing from the Naval Reserve Association and from the Air Force Sergeants' Association, and without objection, those statements too will entered in their entirety for the record.

[The statements referred to can be found in the Appendix on pages 480 and 492.]

So, let us get right to this very important panel and the first business of the subcommittee.

And, so, Ms. Tucker, and General—pardon me? I am sorry, Mr. Hayes, did you want to—and thank you, John, I should not preclude any of the members of the subcommittee from making some statements should they choose. And I would not that Mr. Hayes, who shares representative jurisdiction with Mr. McIntyre, both of whom joined us for a visit last year at Fort Bragg, has been leader in this issue and certainly any words he might have to say would be very appropriate and welcomed by the subcommittee.

Mr. HAYES. Thank you, Mr. Chairman. I was thinking about waiting until questions, but I did not want to point to the fact that through your proactive leadership we were able to travel to Fort Bragg. And, you, Mr. McIntyre, Ellen Tauscher, Jeff Miller, and I, received quite an education, thanks to Debbie Tucker and others who are working very, very hard, both to prevent and to help provide the kind of security and cooperation between all the different interested groups. So, thank you for that. And thanks to our panel for being here today, Debbie, particularly for your hard work. I look forward to your report today.

Thank you, Mr. Chairman.

Mr. MCHUGH. Well, I thank the gentleman. I particularly thank him for his leadership and thanks to that effort, we are able to pass the first step of what we hope and know will be the first step in trying to resolve some of the legislative hurdles and barriers toward the effectiveness of the services separately and collectively to address this very serious problem.

So, with that, General Parks, Ms. Tucker, we will defer to you as to which of the two of you would like to present first. But, whichever choice you make, it is a good one. So, our attention is directed your way.

STATEMENT OF LT. GEN. GARRY L. PARKS, DEPUTY COMMANDANT FOR MANPOWER AND RESERVE AFFAIRS, USMC, CO-CHAIR, DEFENSE TASK FORCE ON DOMESTIC VIOLENCE; MS. DEBORAH D. TUCKER, EXECUTIVE DIRECTOR, NATIONAL CENTER ON DOMESTIC AND SEXUAL VIOLENCE, CO-CHAIR, DEFENSE TASK FORCE ON DOMESTIC VIOLENCE; HON. CHARLES ABELL, PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS, ACCOMPANIED BY JOHN M. MOLINO, DEPUTY UNDER SECRETARY OF DEFENSE FOR MILITARY COMMUNITY AND FAMILY POLICY

General PARKS. Thank you, Chairman McHugh, Congresswoman Sanchez, distinguished members of the subcommittee. Ms. Tucker and I are honored to be before you today as the co-chairs in the Defense Task Force on Domestic Violence to provide an overview of the findings developed during our past three years.

The overall goal of the task force was to provide the Secretary of Defense with recommendations to enhance existing programs for preventing and responding to domestic violence, and where appropriate, to suggest new approaches to addressing the issue. In fulfilling the congressional mandate, the task force looked at the entire spectrum of domestic violence issues across the Department of De-

fense, including the roles and responsibilities of command, law enforcement, advocates, legal, medical, chaplains, counselors, and social workers. The task force believes that domestic violence is best dealt with by having a consistent and coordinating community response.

This approach clearly communicates to potential offenders, as well as those who have already offended, that domestic violence is simply unacceptable, will not be tolerated and that there are consequences for such behavior. This consistent, coordinated approach seems to fit perfectly with the military community.

In order to be most effective, however, every element of the response system, from law enforcement to medical to the individual command, must have the same perspective. To this end, it is important for all to know what domestic violence is, its dynamics and risk factors, effects on families, children and victims who witness domestic violence and consequences for offenders.

Over three years the task force visited military installations throughout the world and met with numerous victims, offenders, commanders, first responders and service providers. Their cooperation and willingness to share experiences, critical thinking, and ideas for improvement were foundational to informing our research and recommendations.

A specific requirement in the National Defense Authorization Act for fiscal year 2000 that directed this task force was to develop a strategic plan, "by which the Department of Defense may address matters relating to domestic violence within the military more effectively." Per this direction, we presented a proposed strategic plan in our third year report.

In total, the task force's three annual reports have included nearly 200 specific recommendations. While all of these recommendations are valid and each will result in improvement of the Department of Defense's prevention of, and/or response to domestic violence, there are nine points that we believe are key to the proposed DOD strategic plan for addressing domestic violence.

While these points are all equally important, the Department of Defense must first and foremost demand a culture shift that does not tolerate domestic violence, that moves from victims holding offenders accountable to the system holding offenders accountable, and that punishes criminal behavior. The remaining eight recommendations support such a culture shift.

They are, establish a victim advocate program with provisions for confidentiality. This enhances victims' safety and provides a well-defined, distinct program where victims can receive the advocacy, support, information, options and resources necessary to address the violence in their lives without the requirement for mandatory reporting.

Next, implement our proposed domestic violence intervention process model, which has separate protocols for victim advocates, commanding officers, law enforcement, and offender intervention. The intervention process model and the amplifying protocols provide both a graphic and narrative description of the recommended intervention process.

Separate abuse substantiation decisions from clinical decisions. This enhances victim safety and supports the commanding officer in ensuring offender accountability and intervention.

Next, enhance system and command accountability, and include a fatality review process. This develops, one, ongoing mechanisms for amplifying policy and system deficiencies with the goal of increasing accountabilities throughout the system, reducing domestic violence and preventing future fatalities.

Implement DOD-wide training and prevention programs that encompass, not only general awareness training, but also includes specific training for commanding officers and senior non-commissioned officers, law enforcement personnel, health care professionals and chaplains.

Hold offenders accountable in keeping with the November 2001 Deputy Secretary of Defense memorandum that highlighted non-tolerance of domestic violence and challenged the military departments to intensify their efforts to prevent domestic violence.

Strengthen local military and civilian community collaboration in preventing and responding to domestic violence. And, finally evaluate the results of domestic violence prevention and intervention efforts.

If implemented by the Department of Defense, these key points have the most lasting, significant and positive effect on the prevention of and response to domestic violence in the military.

During the course of our three-year project, the task force has been extremely fortunate as this distinguished subcommittee has already noted, to have its co-chair, Ms. Deborah Tucker, Executive Director of the National Center on Domestic and Sexual Violence. She is an expert in her field. She is dedicated to ending domestic violence against women and has extensive experience working this issue at the national level.

Ms. Tucker will now review additional aspects of our findings that we believe are important.

Ms. TUCKER. Thank you, Garry.

Mr. Chairman, members, in addition to the key points that we included in our strategic plan, there are other elements that are important for us to highlight. We provided what we call the core principles of intervention because we recognize that our work is over and the Department of Defense will pick up from here and go forward. With these core principles we were providing philosophic guideline, if you will, what are the questions that need to be asked in designing responses to individual situations or in designing programs.

So, let me highlight those points for you. The most important core principal, respond to the needs of victims and provide for their safety. Over and over we understood that the stated needs of victims needed to be addressed, safe housing, safety planning, and free confidential advocacy services are cornerstones for that. But, there are many other aspects of listening to victims that we are recommending as part of our report.

Second, hold offenders accountable. Ask yourselves the question, what are we doing in responding to this situation that is letting the offender know that the use of violence is criminal behavior and

must be addressed in that manner? There must be punishment, deterrence and, when possible, rehabilitation.

Third, consider the multi-cultural and cross-cultural factors that may influence, not only the individuals that we are working with, but our own staff and our own information as we approach people who are dealing with the complex issue of domestic violence. There may be economic, cultural, religious, immigrant kinds of status issues for victims influencing how comfortable people feel when they interact around this difficult problem.

Next, it is important to consider the context of the violence and to provide a measured response. What we mean by that, is look at the power and control wheel that we provide to you on Page 111 of our report. What is the level of fear that the individual victim is experiencing? What kind of steps do we need to take in response to the violence to increase that victim's safety and to determine an intensity and a direction around the offender accountability that really responds to what we have seen?

What are we doing to coordinate military and civilian responses? Are we letting cases of domestic violence fall through the cracks when we do not communicate outside the boundaries of the post or the camp or the base or the station? What is happening with 70 percent of our families who do live off base and civilian authorities need to be responding to offer assistance? Cooperation is essential.

Next we want to encourage that the department always involve victims in monitoring the domestic violence services. Ask victims what it is that they need and how well we are doing in responding to those needs. That will help inform us as to further changes that are needed in our systems.

Finally, we ask that we look at early intervention and we provide a whole section on prevention and early intervention, noticing the kinds of things that lead us to recognize that violence is a potential.

So, those are our core principles of intervention to help guide folks from here. There are two other recommendations that we made that General Parks and I decided we wanted to highlight. One has to do with resources.

We realize many, many times in our discussions that the kinds of recommendations that we were making had resource implication. We want, for example, tremendous effort in education and training to create that cultural shift, to help command understand their roles and responsibilities and to understand domestic violence better, that is just but one example.

Consequently, given that we cannot say to you please appropriate today all the necessary money with the many demands that are before us right now as a nation, what we instead recommend is that we first look at what are we doing with the money that we are currently spending to intervene in domestic violence? Analyze the resources that are already out there in the four services and determine in what manner could those resources be reallocated to reinforce the recommendations that we have made.

Another decision that we made has to do with system accountability. It had been suggested that our task force continue beyond the three-year period that we had initially been appointed. While in some respects that was appealing, we quickly concluded that the

more appropriate thing for us to do was to finish our work, hand it to the department and give them a period of time to work seriously with all the things that we had brought to them.

If, after a period of two years, you asked for the formation of a new body, perhaps bringing some of us back who experienced the work of the original task force and bringing some new people to the table with fresh perspective to examine what have we accomplished, to evaluate how effectively the programs are working and to help the department, if you will, tweak what they have learned in the next two years, that that would be much, much better solution than continuing our existing task force.

With the 200 recommendations, with the key points that we have highlighted, the core principles of intervention and all the different elements of those things that make up our strategic plan, we think they should be ready to move forward without us for awhile.

I want to also highlight a few particular issues that we mentioned in our executive summary in the report that are related to violence against women occurring in the home. And we had many discussions about these complex matters, but did not choose to make recommendations to the department that were truly outside the mandate of our appointment.

Those issues include the aspects of multi-culturalism and cross-culturalism that are similar to sexism. They include the issue of children and domestic violence. And we do make some particular comments around the need to coordinate the response when both child abuse and wife abuse are occurring in the same family so that the interventions are simultaneously and supportive to that family, as opposed to occurring at two very different times and uninformed by the other experience.

We talk about sexual violence and the relationship of sexual violence to domestic violence. And we also, in our visits, encountered concerns around trafficking of women. And these are all issues that this committee must think about, along with the department to address that were not part of our mission, but certainly were things that we could not help but notice.

As we conclude our work as a defense task force, I particularly want to tell you on behalf of the civilian members that while this was an incredible challenge, it was also a tremendous opportunity. And, for us, we made lifelong friends with people that we initially thought we would never understand.

We also felt that it was an opportunity for us, as private citizens, to serve our country and to make a contribution to the armed services and the family members. We are in awe of the roles and responsibilities of the men and women who serve in the armed forces. And, perhaps today, more than any other day in these three years, we recognize what we ask of them as a country.

That makes me believe that what we ask of ourselves is so important and we must make sure that any issue that is effecting the quality of their lives and the manner in which they can live as citizens of our country and of people who provide special service to all of us, then we must take those measures.

We must make sure that no one is experiencing the kind of violence in their home that we hope eventually to bring us peace to the entire world.

Thank you.

[The prepared statement of General Parks and Ms. Tucker can be found in the Appendix on page 393.]

Mr. MCHUGH. Thank you, Ms. Tucker.

And, General Parks and Ms. Tucker, thank you again for your service in the past three years and beyond.

Secretary, welcome. We look forward to your remarks, sir.

Secretary ABELL. Thank you and good afternoon, Mr. Chairman, members of the committee. I want to begin today by acknowledging the dedication and hard work for Ms. Deborah Tucker, of Lieutenant General Jack Clemp and Lieutenant General Garry Parks for their work as co-chairs of the Defense Task Force on Domestic Violence. These leaders and their team have done a superb job with a very tough subject.

Their work will have a positive effect on DOD's domestic violence policy for years to come. The purpose of this hearing, as you framed in your opening statement, Mr. Chairman, is to focus on the recommendations of the task force and then the Department of Defense implementation of those recommendations.

I am happy to discuss the many areas in which we agree and our plans to implement a series of policies to help prevent domestic abuse, protect the victims and hold the perpetrators accountable. There will be many occasions in the months ahead in which this committee and the department will work together to craft a model program on domestic violence.

The Department of Defense has a great track record in addressing similar societal programs. We have developed programs to address racial integration, drug abuse and to de-emphasize the use of alcohol. None of these were easy, but we changed the culture, we modified behavior and now these DOD programs are recognized as world class. We can change the culture and modify behavior to reduce incidents of domestic abuse with the military services as well.

Mr. John Molino, the Deputy Under Secretary of Defense for Military Community and Family Policy joined me on the panel today. In January of this year, he and his team were charged with developing the policies to implement the task force's recommendations. As General Parks just testified, the task force has made close to 200 recommendations in their three reports.

The first two reports included about 155 recommendations and we are in solid agreement on about 140 of those. The remaining 15 are not disagreements as to what should be done, but differences in how to accomplish the goals. We will work through those differences.

The third and final report was delivered a week ago on March 10. We are just beginning to review the recommendations in that report, but I do not expect that we will argue over those recommendations either.

Mr. Chairman, some advocates will want to see immediate results. So, do we. However, as you know, good policy does not come easily. We are working at a deliberate pace and we welcome your oversight as we proceed. You have assembled an impressive panel here today and, together; I trust we will be able to answer the committee's questions. Thank you.

[The prepared statement of Secretary Abell can be found in the Appendix on page 404.]

Mr. McHUGH. Thank you, Mr. Secretary.

Obviously, I know my colleagues have a lot of questions and we want to get to them as well. Let me start by making an observation during, based on our visit to Fort Bragg. Let me state for the record, for the third for the record today, this is not an Army problem, although Fort Bragg is an Army installation. It is indeed not something that is exclusive to the United States military.

Obviously, domestic violence, I hope is an area of concern to all of us society-wide. But, as you good folks know more than anyone, our responsibility as the United States Congress have to be focused upon the United States military. And, during our visit very soon after those tragic loss of lives incidents, it was clear to me, from the commanding staff, down to the enlisted staff and the enlisted personnel, they felt this was a loss to their family and were desperate and I assume remain desperate to try to do a better job and to enact whatever is necessary to try to implement policies and programs that can help avoid this in the future.

And, again, I know this is our collective objection. But, I think one of the things that most impressed me is that in terms of Fort Bragg, and I suspect across the spectrum of the military services from base to base in this country and overseas, it was far too much of an ad hoc effort.

And that is each base, while operating under general guidelines certainly no one within the command structure of the military services, no one within the Department of Defense accepts this kind of behavior, no one wants to see it continue. The direction was lacking. And I think that is why this is important.

We have used the word a few times through our presenter's testimony, culture. And that means simply we need to direct from the top down a means and cohesive, coherent policy by which the people who are effected can find ways to circumvent this kind of tragic outcome.

One of the things, in a very emotional, nearly three-hour session that we had with the spouses of victims, or I should say spouses who were victims of domestic violence was that they were concerned and in talking to others who had experienced domestic violence who probably were not on report somewhere, that the belief is that a report of domestic violence by the abused spouse somehow ends up on the military member's record. And that, obviously, that has very significant implications for the future in the military of that individual.

From the discussions we had as a follow-up to that, most of the command staff felt that that was not exactly the case. That there were safeguards in place that allowed complaints and reports of incidents of domestic violence to occur without necessarily, by the mere fact of the reporting, a hindrance to the military member's career.

And, I am just curious, and I would start with Ms. Tucker and General Parks, because it was not anything that I saw particularly highlighted in your report, not in your oral testimony today. Is that something you heard that no matter what kind of system we may put in place for counseling or for means by which they can go for

help, there was still that concern and ultimately the result of incidences that may have gone unreported because they just did not want to jeopardize their husband or their wife's military career. Is that something you encountered?

Ms. TUCKER. He will probably add on based on my past experience. We work really well together. Victims had been led to believe in many, many cases by the scuttlebutt of the culture and particularly by the offender that any report of domestic violence would result in them immediately, perhaps, losing their career altogether or being damaged so that their career would never ever progress from that point.

We did not find that to be the case. What we found is that the opposite problem. That in too many cases, very serious acts of domestic violence, even that became known to the authorities did not result in any kind of particular consequence to the offender.

So, we struggled with this a lot because on the one hand we want to say domestic violence is unacceptable. It is a criminal behavior. It will not be tolerated. It needs to be stopped. It is very serious and we are not going to play around with it anymore. And we also did not want to create a circumstance where victims were afraid to come forward.

So, we tried several things. One is the confidential victim advocate program. If victims have somebody to go and talk to, to lay out what they are experiencing who can assist them in working with the system, who can dispel some of the myths that, you know, your husband will be court marshaled tomorrow, that they can begin to understand that there is a possibility of an effective intervention that stops the violence, then that is what most victims want.

In the civilian community people come to our programs across the nation every day saying can you help me stop the violence. I do not want him to go to jail. We struggle with this same philosophic issue. What we do is help victims develop a plan for their own safety, develop a direction that they want for themselves and their children. And we give them enough information to understand what is likely to happen if they approach the authorities.

When a system works well, the authority intervenes, helps the offender understand that they cannot persist in that behavior and that there are consequences for what they have done, but does not necessarily immediately incarcerate that individual or cause them to lose their employment, be they a civilian or a military member. So, it is a complicated issue. You have touched on something that is kind of in the middle of 50 different concerns that we had.

And I hope that what I have said is helpful to sort of describing how we are going at it in several directions. We do want to be firmer, that is serious and must be stopped. And we want to create a system that actually does that. We also want victims to come forward and to feel that their entire family's future is not necessarily at risk if they ask for help.

Mr. McHUGH. General Parks.

General PARKS. Mr. Chairman, I think the only thing that I would add is to reinforce the early portion of your comments. And that, from the standpoint of your sensing when you went on your visit and met with the families, that we are a family. We view our-

selves as a family. On this very day I consider I have brothers and sisters about to go into harm's way. I think our military members have that. We talked about culture, that is part of our culture.

At the same time, we are, as I testified a week ago, an all-volunteer force with wonderful young men and women, some not so young, who are a part of that organization, and, yet, we are a reflection of society. Domestic violence is prevalent in American society. It is not surprising that we have it in our military organization.

And that what we have tried to design in our comprehensive reports and our three years of efforts in all the various recommendations that have already been addressed, is are ways to deal with precisely the issue that you raised, and as Ms. Tucker just testified, in a way that addresses the concern and yet preserves the safety of the individual who has that concern and bring them together in order to appropriately deal with them at the level that is required.

Ms. TUCKER. Can I add on to that also?

Mr. MCHUGH. Certainly.

Ms. TUCKER. Another thing that really influenced us in our thinking is that so far in the last 20 years in this country that we have been doing ascender intervention kind of work, where we have been taking people who have been identified as batterers and attempting to change them. We do not have a lot of success.

That those that do change are very much influenced by just a few people. And one of those is the judge. The judge who sits on their case when they go through a criminal court proceeding who takes their case very seriously and individually follows them.

For example, making the batterer come back once a month to the courtroom and report on his behavior towards his family and report on his completion of probationary requirements. Those offenders tend to do better.

So, we thought that one of the strengths of trying to do offender intervention while somebody is still in the military is they have a motivation to belong to this tribe, whether it is the Marine tribe or the Army tribe or whatever, they want to belong. And if that person who is their commander has the power of both judge and employer at the same time, will they, in fact, be much more effective at getting that individual's attention and bringing them to a place of change?

If not, we say, if there is a failure, if we do intervention and we work really hard with somebody and they do not change their behavior, then, yes, they need to be out of the service. But, if we can say to them we want you to be a successful person and that includes being a successful husband and a trustworthy father, then we will do what we can to help you to learn that.

Does that make sense?

Mr. MCHUGH. It does. It does. It does not make the challenge any easier—

Ms. TUCKER. No.

Mr. MCHUGH [continuing]. But it makes sense.

Secretary ABELL, any comments in that regard?

Secretary ABELL. Sir, as you know, the military commanders face a lot of challenges every day. And, as a culture military folks, both

commanders and senior non-commissioned officers like things in tidy packages with sharp corners. And this is an area that is not tidy and has no square corners, which makes it even more difficult for them to deal with.

But, we are prepared to take the committee's recommendations with regard to a confidentiality policy and put it out there to allow a confidentiality with a few limitations, victim voluntary disclosure, the advocate belief that the victim is in imminent danger or court directed disclosure.

But, if that abuse is a criminal activity and comes to the attention of the commander, then that military commander, as you know, will take action, which may jeopardize the career of the spouse and ultimately, the benefits. No commander wants to lose a good soldier, sailor, airmen or Marine.

And, so, we will help commanders understand, just as Ms. Tucker said, that balance between trying to work with and use the practices that have been successful in the—outside the military. But, the commander will also, as you know, frame this incident, the incident that comes to him or her in the context of that soldier, sailor, airmen or Marine's total record and if it is lacking in other areas, this may just be the straw that broke the camel's back so to say, and I would expect them to take action.

The committee, the task force urges us to hold offenders accountable. Our commanders will do it. So, it is an awful pendulous tight rope that we ask them to walk. And we are going to try and Mr. Molino's going to try it in his group to craft some policies to give them the guidance to sponsor the educational programs, to help them understand. And we will try to be an example for the rest of society. But, it is a tough, tough issue.

Mr. MCHUGH. Well, it is. And I certainly do not pretend to know the answer other than all of this is directed at those either who have been abused or who may be abused. And, as I mentioned, to a person that we met with they spoke of other spouses in the military who did not report for that reason.

And, Ms. Tucker framed it very well. It is a tough objective to reach. But, I think the—one of the primary objectives of this has to be to construct the process and recreate the culture to an extent that we will find the best possible, I do not know if, unfortunately, there is a perfect solution, but the best possible system that says to victims you can get help without necessarily destroying your spouse's career, but recognizing, as well, as Ms. Tucker again said, we want the message to be equally strong that if you partake in this kind of aberrant and aberrant behavior, there is going to be swift and very appropriate justice.

So, I have any number of other questions, but my colleagues have been very patient. Let me yield to Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman.

Obviously, this is a very complicated issue. One that I think stems even beyond just domestic violence. As someone who has experienced sexual harassment in the workplace and as someone who came from a home where there was domestic violence, I am very, very interested in this issue. And I am glad that Ms. Tucker, whose been—has shed so much light on this subject for so many of us.

I had the pleasure of spending a couple of days with the task force as they were completing their second year's report. But, it was interesting that you went to Page 111 and asked us to take a look at it because in this little circle at the very center of it, of course, is power and control. And, quite frankly, that is what I think any of these types of issues really center around, power and control.

And, in particular, when we continue to see it, it manifests itself in so many different ways, murder suicide at Fort Bragg in North Carolina, the sexual harassment issues that we are seeing in the Air Force Academy, for example. You know, we train our soldiers and seamen and airmen and others to be powerful and to be fighting machines as we see that we need them now in this time of need.

But, on the other hand, the military is even more of a family than most of us ever get to experience. And, so it does, anything that happens in the home flows into the workplace in one way or another. It affects our military.

So, when I take a look at this I am really interested in a few things. First of all, how we—I know that when I was with the task force about a year ago or so, a little bit over a year ago now, that you discussed the whole issue of whether to keep the commander in participation in the process in or out.

And I see from the report, the third report that you chose to keep that commander in. And I know that there is a need to train and to educate and to really do a good job of giving the tools to a commander to be able to handle these types of situations. And that goes to the whole issue of resources and how we do that.

But, my question is how do we hold them accountable? I mean what are we going to implement? I know the recommendations. But, here is the question, how are we going to have a commander take this issue seriously? Is it going to affect him in his ability to be promoted to a higher rank as a commanding officer?

I mean what will we do as the Department of Defense to ensure that if we spend the resources to give the training and the tools that these commanders need to work on these family issues, even though it is not the biggest piece of their job description, how is it going to affect them?

How are we going to hold them accountable for that? And I guess that—I would like that answered by General Parks to the extent that you are a high commander in the military and you have probably had this type of experience in having to deal with soldiers and—or Marines I guess and I would also ask our honorable under-secretary for his comments on that.

General PARKS. Ma'am that issue was, as you know, and as followed many, many of our discussions, fundamental to one of the considerations that we looked at and evaluated. And as you appropriately commented, power is at the center of it. I believe that the crux of your question involves the aspect of the commander and the commander's direct involvement in dealing with it.

I believe that that starts with the overarching education that we have recommended, the training and education to have military members at large understand the basics of domestic violence.

I will say that I had not experienced domestic violence in my career. And so this was a phenomenal education for me to work with the task force with the 12 civilian experts that we had who provided that education, balancing that and interweaving that with our military culture that we have talked about.

And, in the course of that, we had many discussions passionately and enthusiastically in explaining the understandings of what domestic violence involves with the organization that we have and how do we meld the two together?

We believe that we have established a procedure that will allow that to be done and to make that important to the commanders, starting with the Deputy Secretary of Defense's memorandum to get the ball rolling, if you will, on the importance of this. Followed by the statements from each of the service chiefs in the department level to emphasize that this is important, and as Mr. Abell testified earlier, just as we have worked out ways through the implementation of policies that dealt with diversity, that dealt with sexual harassment, that dealt with drugs, that dealt with other overarching societal problems that we are simply a microcosm of, that we have worked our way through.

How do we weave that into this organization and make it important to me starts with education to understand how that goes and it understands from there that some of these are going to have to be probably brought up to the senior level.

And it is one of the things that we have included in our report for consideration is perhaps the younger commanders just are not as tuned into understanding this and we need to bring it, because of its importance, up to the next level of command so that they have the right degree of maturity, as well as perspective to be able to deal with issues of that nature. It is another one of the implementation challenges that we are going to have.

Secretary ABELL. Yes, ma'am, I agree with General Parks. And from the departmental perspective, we will provide our commanders the education, the training, the toolbox of policies and programs that they need. We will clearly articulate our expectations of what a commander, what his or her responsibilities are, and how we will hold them accountable. We have done it before, as I mentioned, and as General Parks mentioned, we will do it on this issue as well.

Not easy. We may have to, as General Parks says, find the level of professional maturity that has the resources, both staff and professional maturity to be able to deal with an issue this complex. But, we will find it. We will give them our expectations. We will give them the tools. And then we will ultimately hold them accountable for the climate of their command.

Ms. SANCHEZ. So, would we anticipate then at some point that we would see these accountability standards in writing from our Department of Defense?

Secretary ABELL. We will certainly have a number of policies, whether there are specific accountabilities or not, I mean in some of these other programs among the ways that accountability was monitored was that we asked our Inspector General (IG) on every one of their visits to look at this specific program to see how it was being handled in that unit. We asked that every efficiency report mention the commander's activities and programs to do with racial

diversity or drug abuse, the de-emphasization of alcohol and so forth.

Those are all ways that are tried and true in the past. We will look at all of them and we will find the most effective way or ways, combination of ways, to do it here.

Ms. SANCHEZ. I am just concerned that sometimes we make policies and even if they come from the top, which is where I believe both policy and example have to be sent, in particular in the military, that as it makes it way that if we do not have accountability in writing towards these things that one of the things that happens is that it becomes a very minor piece of the job. And the fact of the matter is, some may think it is a minor piece, but when you are the family in trouble it is a major piece of your life going on.

So, I would be very interested to see how that accountability piece is actually put into place.

General PARKS. There is a sign in a lot of most, perhaps, military conference rooms that says the troops do well what the boss checks. And I happen to believe that. So, whether or not we write it down, I think the important part is that we have ways in place to check on how they are doing in meeting our expectations and fulfilling their responsibilities.

Ms. SANCHEZ. If I may, one more question, the advocates and maybe I would like I guess the secretary and maybe Ms. Tucker.

First of all, Ms. Tucker, I just want to say I learned an incredible amount from our task force. The type of individuals that sit on that task force and the backgrounds that they have, law enforcement officers, prosecutors, people who run women's shelters.

And I have to say that I was bit naive because the first time I came into the task force, after a while I asked well what about the guys who get battered and, you know, all the guys who around the table who are on that task force said, no, it is not guys, Loretta, it is women who get battered. And, I was wondering, you know, what about, you know, five percent or the one percent of guys.

And by the end of the day they had me figuring out that it is, you know, because it does tend to be physical in a lot of aspects that it is a physical thing against women.

But, this whole issue of the advocates, I know that the Marines do a great job of having advocates and yet a department like the Air Force has none. Ms. Tucker, can you give us, walk us through a little bit of what you saw and the difference between those two departments and the way they handled that? And then maybe I will ask the General how are we going to solve that or have you looked at that in your plan of implementation?

And, the second question I have for Ms. Tucker is did you see any differences, significant difference between how our families react with respect to battering of spouses overseas when they are stationed overseas versus what happens stateside?

Ms. TUCKER. Two good ones. On the first part, regarding the advocacy program, the Marines, years ago, were very, very connected to what was going on in the civilian community. And there was a lot of communication and cross-training happening. And that is where the victim advocate program gets established. Now, within the whole military though, victim advocates have not enjoyed the same privileges, such as the confidentiality.

So, while the Marines have a victim advocate at each of the 19 installations, they do not necessarily have the freedom to interact with victims and provide information and support, give them some time to think about what they want before the system sort of takes over. And, it feels like to victims that everybody on base becomes aware that domestic violence is occurring in their home.

So, there is improvement in the victim advocacy program that the Marines have recommended through our shifts in non-disclosure. But, I think they provide an excellent model for the other services to consider. There are victim advocates in a few places in the other services.

I went up to Fort Hood not too long ago close to me in Austin and found one victim advocate, you know, on that post who had an office that was terrifying. I mean it was just covered in stacks and stacks of cases that she was trying to figure out how to respond to and work with as one person on that huge, huge post.

So, there is some effort already in place, but nowhere near what is needed. So, the other services are going to need to look at what the Marines have done and talk about the role that the victim advocate should play according to the victim advocate protocol that we have put in here, which really describes a thorough responsibility that helps make the whole system that we envision work a lot more effectively for everybody, including the command and other personnel that play a role.

The victim advocate will be a partner to the victim, but they will also be a partner to everybody else in the intervention system.

Ms. SANCHEZ. And, the question about the overseas?

Ms. TUCKER. The overseas, very complicated. At least we found sometimes for victims living within the United States that they could approach civilian battered women's programs or reach out to some kind of assistance off post if they were not receiving good services on post or they were afraid to use those services.

When you are overseas there are many other barriers. There is the language barriers some places. There is the fact that most of the force agreements that we have with other nations do not necessarily permit those local authorities to hold our citizens accountable for crimes that they commit over there.

And, as you know better than I, this is something that is changing with the case in Japan of the sexual assaults. We are beginning to struggle with to what extent are we going to give U.S. citizens over to those local countries.

But when it has to do with crimes committed against other citizens who are family members, you know, then it comes back in house and there isn't anyplace else necessarily for victims to turn.

So, the programs that the military services put into place outside the country have to be exemplary. And, one of the specific concerns that we had around victims' services in the Continental United States (CONUS), I learned that word, was that in the shelter that the military operates in Hawaii, you could not go there without a military ID right?

Well, I figure it is pretty obvious that if you go to the shelter you are in a bad state, you probably have a military ID but you do not want to show it right away. You want to figure out if what is going to be offered to you there is going to be helpful. You do not nec-

essarily want the offender to know where you are and have somebody call him and tell him that that is where you are.

So, we are asking that the shelter in Hawaii and the shelter in Okinawa and any other military shelter that is established sort of get a grip, let people come if they sound like U.S. citizens from Alabama, let them in. you know? And, worry about who they are and whether they are entitled to those services another day after you have established some trust and given them some safety.

Secretary ABELL. Yes, ma'am, there is no doubt that advocacy programs are an area that need, deserve and will receive our attention. We have programs in bases throughout the military services, but they are not what the—to the standards that the report recommendations would have us go. And we are not in disagreement with the protocols that Ms. Tucker has described. There are issues of resources here, which, we will—

Ms. SANCHEZ. Have you been able to estimate what type of resources if there that you would need in order to implement most of the recommendations, I would hope that the task force has worked three years on?

Secretary ABELL. You know, I know some—I knew someone was going to ask me that question, and the answer is no, we have not put a dollar figure on all of the areas here that would require resources. And we will have to work for those resources within the department's programming and budgeting system. And, frankly, they are not all going to come in the one year.

But, this is an area where we will have to go get those resources added in at the top, I believe, because it is a very competitive process, as you are aware, to come up through the bottom. I expect great support from the services, but my anticipation is that we will have to put those in at the top and we are not afraid to do that. But, it is just work that we need to do and we will do it.

Ms. SANCHEZ. Thank you.

Thank you, Mr. Chairman.

Mr. MCHUGH. Thank you.

Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman.

Thank you all for coming here today. Ms. Tucker, I want to ask you three or four different questions. I come from the era of General Parks and during my two and a half decades in the Navy, I do not recall a lot of spousal abuse. Now, it may have been there, but I was just not aware of it. The only time I remember it was when I went to the survival school before going to Vietnam and the people who did the training picking on us, went home and did the same thing to their wives and their kids. That is the only time I remember that.

Is this situation increased or decreased over the decade? What is the number one cause? It is all physical or is it psychological as well? And, I want to follow up on what Ms. Sanchez said, I would like to know—I am sure it is men, but I would be kind of curious to know how much of it is female as well. And those on the base, I should know the answer to this, if it happens on the base and they get arrested, are they tried in civilian court or on base? I should know that, but I do not.

Ms. TUCKER. All right. Well, help me make sure I get all four.

Mr. SCHROCK. All right.

Ms. TUCKER. First of all, there is a lot of debate about whether or not domestic violence has increased. But, right now, what we believe is that domestic violence has always been an aspect of our society and most every society within the world, that our awareness and recognition of domestic violence has grown. And that victims are coming forward now in ways that they did not come forward 25 years ago. The existence has not changed, so much as the numbers and the awareness has changed.

It could be that it is increasing and we may learn that over the next few years now that we are actually paying attention to be able to measure is it going up. Now, all violent crimes reduced in this nation over the last couple of years with the exception of sexual assault, which rose. Could that be because we are paying more attention and we are more sensitive to the fact that sexual violence does occur and we are giving room for victims to report it. So, those questions are hard for many of us and are complex issues that, in another ten years, we will probably know a bit more about.

The number one cause, I would again refer you to Page 111, the power and control wheel. What offenders tell us themselves is that what they are hoping when they use violence is to get their wife to do something or stop doing something. And that they believe that using violence is legitimate if other forms of control over her are not working.

So, what is confusing about that, many times, is all the other things that might coexist when we look at a family or an individual. For example, for years and years and years when somebody asked me how much is alcohol abuse a problem with domestic violence, I would say 63 percent of the cases that we see at our shelter involve the use of alcohol and drugs as an issue.

And, I thought very sincerely that if we treated offenders who had alcohol problems and got them sober that that would stop the violence. Imagine my disappointment when I learned that you can be cold sober and still beat people up, that it was not that. Many people have struggled with other kinds of reasons that violence might occur, miscommunication, self-esteem issues, impulse control—

Mr. SCHROCK. Money.

Ms. TUCKER [continuing]. Financial conflicts. Reader's Digest sets the number one reason we fight according to Reader's Digest in our homes. However, in a healthy home when you fight about the new pair of shoes or the golf club, those things do not escalate to the point of verbal or physical harm to the other party.

There may, in fact, be more cold silence than anything else than what you see in a dysfunctional violent home. In a violent home you would not risk buying a new pair of shoes, that would be too dangerous if you did not have permission. And if you study the model of what offenders tell us, what victims tell us, it is the same for years and years and years.

He wants to control everything that goes on in the household. And if he does not have that control, then he believes he is legitimate in using different kinds of aggression.

So, I hope that answers the second one.

Mr. SCHROCK. So, most of it is physical?

Ms. TUCKER. No, it is physical goes along with sexual violence, isolation, emotional abuse. In fact, victims say that the hardest part to overcome is not the beatings because you heal from them many times. You may have lasting medical problems from serious injuries. But, what is hardest to heal is the inside and being told that you are stupid or worthless or whatever is said. That damage that is part of the whole way in which we define domestic violence can be harder on the victim than anything else.

So, one of the things that we began to do in our task force to distinguished cases of domestic violence versus cases where people were behaving in a violent manner, but it was not domestic violence, was our shorthand became the remote control.

Meaning, that there were young people recently married, both in the service sometimes, both very well trained physically and there was only one remote control, and they would have an argument about it. And the Military Police (MP's) would come.

And what we learned is that sometimes both parties would be arrested because there was an altercation of some sort over this remote control. Well, neither party was afraid of the other, neither party altered their behavior in order to avoid abusive action.

So, what we could conclude is this is a remote control case. This is two young, not very bright people who we can work with quickly. The Navy has a program, I love the name of FINS, Family in Need of Services.

This is a FINS case. This is a couple that needs to learn some other skills. That they are not engaged in domestic violence. Domestic violence has to have physical violence and all the other aspects of the definition.

Mr. SCHROCK. When you say remote control, you are talking the TV?

Ms. TUCKER. I am talking the TV.

Mr. SCHROCK. I thought that was a guy thing.

Ms. TUCKER. When they have a fight—well, no, I think that some female service members are interested in the remote control. I know I like to have it every once in a while.

Ms. SANCHEZ. I steal the clicker from my husband all the time.

Mr. SCHROCK. The two TV's would solve that.

Ms. TUCKER. Yes, exactly. And in a FINS program that would be something you could recommend. If these two people are often in conflict they got to the PX and let us buy another TV, problem solved. And that case we can take care of like that, right? It is not a domestic violence case.

Mr. SCHROCK. What percentage are men and what percentage women? Obviously—

Ms. TUCKER. In an agency police department is the best way that I can answer that, that is well-trained, that knows how to distinguish on scene who was acting in aggressive manner and who was acting in self-defense.

You will find less than eight percent will be a female offender.

Mr. SCHROCK. Eight percent?

Ms. TUCKER. Less than eight percent will be a female offender. In the military and in many civilian jurisdictions when you see the 20, 30, 40 percent of the time that the female is being arrested, usually as well as the male. What that is is bad police training and

they do not know how to distinguish injuries that are as a result of self-defense actions versus aggressive behavior.

In New Orleans for example last year the city changed their policy that you could not arrest the female on a domestic violence case unless you had a supervisor approval. It went from 45 percent to five percent in one year because they realized they had been arresting females erroneously.

So, what that means is yes, sometimes females are aggressors. As director of a local batter women's shelter in Austin, Texas over five years we had 15 men who came who exhibited the exact same challenges in their homes as women that we were seeing every day and hundreds and hundreds. However, of those 15 men, a few of them were being battered by other men. So, they were not necessarily the victim of a female partner, but they were in a relationship with another man who was violent.

So, you have to kind of work through all of that to say to Ms. Sanchez, yes there are occasionally men who are abused and yes we need to treat this with the exact same seriousness as we do treat the violence against women. And we try to bring that up several different places that programs and services have to account for the needs of some of the men who will be victims also.

Mr. SCHROCK. And I gather the on base violence cases are handled in the civilian community?

Ms. TUCKER. The last one—right. The last one is two answers I guess. If the person who commits the offense on base is a service member then they will be adjudicated, if you will, by the military.

Mr. SCHROCK. Right.

Ms. TUCKER. If the person who commits the offense on base is a civilian then we still have a problem because we have not figured out how to handle and just like Congressman Hayes' legislation that addressed the lack of protective order enforcement on military lands issues by civilian courts, we have not figured out how to hold accountable civilians who commit crimes on base. As I understand it, the only options that we have in many places if its exclusive federal jurisdiction is to bar them from returning to the base.

But we could in some circumstances where there is—the land is held jointly, what is it called? I do not know, there are three kinds of lands I learned and I have forgotten the vocabulary words now. But, when we share the land with the local authority and they own the land and we are renting it then they can arrest them.

So, it kind of is—

Mr. SCHROCK. I am assuming what you said is a civilian is other than the military dependents? It is other than the military dependent obviously at times?

Ms. TUCKER. Right.

Mr. SCHROCK. Like two civilians fighting in an office somewhere.

Ms. TUCKER. That could happen or you could have a female service member living on post with a civilian husband who beats her up.

Mr. SCHROCK. Right. I see.

Ms. TUCKER. And the military police arrive and they do not have authority over him because he is not in the military, you see?

Mr. SCHROCK. Yes.

Ms. TUCKER. So, everything that you can imagine we ran into and found very complicated.

Mr. SCHROCK. Who does that, did you invite the civilian authorities on base to arrest him and haul him out of there?

Ms. TUCKER. You can. As I understand it, if the land is originally held by the civilian authority and we are like renting it for a dollar a year. But, if it is only our land, I think that there is some confusion about how we hold them accountable. I remember asking at one meeting if a civilian murdered somebody on base we cannot prosecute them? And the lawyers all, you know, struggled with how to answer that.

Mr. SCHROCK. All right. Thank you.

Thank you, Mr. Chairman.

Mr. McHUGH. Thank you, sir.

Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman. And I can tell you how to solve the TV thing but I want to leave you hanging on that one. A couple things, as those of you in the room have heard today this is a very complex matter. I thought I knew a little bit about it when Chairman McHugh led our group down to Fort Bragg. And if there are any Baptist in the group, you can understand my explanation. If you not, I may have to say some more. But, instead of getting a sprinkling in terms of it was total emerging. We got dunked into this thing. And we heard from advocates. We heard from victims. We heard from the military. We heard from the legal folks, police, sheriffs, it was an incredible experience.

And I think it is important to point out that one of the things we found out was that it is not a military thing. It is a bad thing that happens to the military and civilian, where the violence occurred and you know this is not my evaluation of what was said.

This was from law enforcement and the people, the experts on the case, the warrior training, the military aspect of who the people were was not the overwhelming compelling issue here. But, I say that just for education, say that the military's working hard to overcome it, but it is not just the military.

And, Debbie, you have done a fantastic job of helping to educate us on these things. As a matter of fact, we were down that way last week and your task force is working on programs, idea, suggestions and action plans that will be available to 12 military installations, which touch 70 percent of the military population almost immediately. So, that is a great thing and we thank you for that.

For the record, tell us about the value of the program and the need to bring it to more installations across the board. And, excuse me, gentlemen, for talking to Debbie, she just knows more than you all do.

Ms. TUCKER. We did have an excellent opportunity to pilot test at Fort Bragg the training we would like to do all around the country. We brought in advocates, law enforcement and prosecutors or JAGS from Fort Bragg, Camp Legume and Pope Air Force Base, as well as from the surrounding counties around those installations, the local people living there who are actually responding to many domestic violence calls involving military families.

We spent four and a half days discussing the new approach to responding to violence against women in the home, a lot of inter-

esting and intense discussion, argument about how can we do that differently. We have always done it this way. It was very exciting. We had a couple of people who learned in that week that focusing on the victim did not get you much if you wanted to stop violence, that you really had to focus on the offender to change their behavior.

There were many people in there, not many, there were about four or five who believed that the only way to stop violence against women was to teach women to walk on eggshells better and to behave better. And it was really great to allow that group process to work where the rest of the group was able to help them see that they were holding on to some really old beliefs. And that these are bad guys that they want to arrest. And by the end of the week I was thinking, you know, I hope somebody is on duty Saturday night out of this group five because they are going to make some arrests this time.

It was a lot of fun. Congressman Hayes and General Smith walked in and everybody stopped talking. They became sort of like deer in the headlights. They were nervous that you all were there. After you left I admonished them for passing up the opportunity to tell the General and to tell you things that they need, because you are an ally and you want to help them. And the leadership wants to help them. So, I think that that was important for me to understand. And when we get, hopefully, the opportunity to conduct these classes in other parts of the country, we need to have the leadership and the Congress folks from that area come in the very first day and say that themselves. Say we are glad you are here. We are glad that you are doing this, taking the time to work out new approaches. We are your allies and we will help you problem solve.

So, that that tone is set by the leadership from the very beginning. Colonel Davis was wonderful, the installation commander, who many of you, I am sure know from being in the spotlight of the Fort Bragg homicides. And one of the reasons I have become very fond of him is right from the beginning he said, you know, I do not know ever much about this domestic violence stuff and I need to learn everything.

And since that time, every book I have told him to read, every person I have suggested he talk to, anything and everything he has done as an effort to improve his ability to do his job as an installation commander and to lead the people at Fort Bragg differently around domestic violence.

In addition, he supported the work of the task force by bringing us down and letting us test the training on his people. So, it was wonderful. And I want to point out that Mike Hauskins is here also sitting behind Mr. Molino. Mike is our, informally we call him our implementation man. He is going to help us coordinate and organize our efforts to get out there with new approaches. So, you all will become more familiar with him.

Mr. HAYES. Obviously, a lot of progress made for which the gentlemen on both sides of you are certainly helping with tremendously. There has been some stove piping kind of situations in the past where lack of connections. How are we doing in eliminating some of these stovepipes?

General Parks.

General PARKS. I guess I am not specifically sure what you are referring to, sir. But, I think it comes back to the fundamental piece, again, of education and awareness and understanding the training education piece I talked about in my opening comments. Because, regardless of the service, regardless of the family advocacy program manager, they are all trying to do what is right, their hearts in the right place. They want to solve the problem.

But, the reason you have the disparities and the reason you have the different handling and the reason the left and the right do not match up and now in the world of jointness, the programs do not—it is just simply because we do not have the standardized system that we are advocating be put in place and that the Department of Defense is going to implement using the reference that Debbie just made. All of that will help to mitigate the potential stovepipes that have existed in the past. I am confident that that is going to work.

Mr. HAYES. A much better answer than question. I think, again, realizing through the various groups that problems exist and there are ways to deal with them has been very, very from an education standpoint and also a result standpoint.

How can we proactively work to strengthen our military families and we are certainly doing that, and what do we do to erase the stigma of attending or going and using, accessing services like this? And part of the answer is what you all are doing here and throughout the military. Is there anything we need to be doing from our perspective?

Debbie, or General Parks, anybody that would like to—

Secretary ABELL. I will pick up the front one, because, as you said, sir, she knows a lot more and I will let her fill in the rest of it. The front part of it is that again the education for the military member, the training for the military member, the awareness for the military member, but concurrently the training and the awareness for those who may be effected through all the various family programs.

And, fundamentally, what we are going to see is the impact of confidentiality, and the impact that it is going to have that we influence those who might otherwise not have reported something that will report or certainly will seek support, seek assistance because they now know they can openly get this and that it be dealt with on balance as they move forward.

Ms. TUCKER. And I would add to that that one of the populations that can be very important for offenders is the chaplain. And it seems to be socially acceptable within the military to go talk to a chaplain where it may feel uncomfortable to people to go to somebody who is identified as a mental health worker. People seem to resist that. And, you know, that is going to take time in our whole society to change, but it is certainly true within the military.

So, one of the audiences that we have already done some training with and hope to do more work with in the next couple years is the chaplains. So, that they are more conversant and understanding of domestic violence and offenders do occasionally come forward and realize that what they are doing is wrong. And they need help, particularly when they walk in their home and everybody freezes

and they see a child, perhaps, looking at them the same way that they looked at their own father when he came home from work, paralyzed with fear, waiting to see what kind of mood you are in.

And when they have those kinds of experiences sometimes they want help. They do not want to wait until they are arrested or some other intervener finds out. So, we need to create an avenue. And if the chaplains are well trained and you know, if you are a Baptist there are lots of different kinds of Baptists.

Mr. HAYES. I am not a Baptist.

Ms. TUCKER. Okay. But, some, you know, think that you can get rid of problems by praying over it. And I think you can pray over things, but you also need education and skills to do things differently.

Mr. HAYES. In the confidentiality of the chaplain issue, that came up in our discussions. I want to go to the chaplain but there was some question about whether the chaplain had to report that to the commanding officer. And I think we have pretty well squared away.

Again, thank you all, and just as a closing comment, Chairman McHugh made it abundantly clear from our perspective, zero tolerance to the military brass for domestic violence, military civilians, very clear. And, again, that's not that something had to be said in the military. But, it is top priority where it happens we would not accept that in any way shape or form. Focus was on the offender. And, I did not tell you this earlier today, but when I left you the other day, Barbara was on post with me and we met with wives about other issues, but our presence on base in a proper kind of way helping to reinforce this and any other issue I think is a good piece. Let folks know we are interested and care about this and other issues. So, thank you very much.

Ms. TUCKER. Thank you.

Mr. HAYES. Thank you, Mr. Chairman.

Mr. McHUGH. Thank you. I thank the gentleman.

We have been blessed by a number of members, Ms. Sanchez, Ms. Tauscher, who have been extraordinarily involved in this, as all of you know. And, certainly Mr. Hayes takes a backseat to no one in that regard. But, I will tell you, Debbie, there are times, too, that we do not talk in front of him either. So, don't feel badly about that.

I would be honored to yield to the gentleman from Tennessee, Mr. Cooper.

Mr. COOPER. Thank you, Mr. Chairman.

I am a new member of the committee and the subcommittee, so I am not as familiar as others with these issues. But, on the question of offender accountability, if an MP were called to the housing over report of a domestic abuse incident would that be entered on the personnel record of the alleged offender? That part of the permanent record of the offender?

General PARKS. No, sir. Not merely coming to the quarters is not an entry on the personnel record.

Mr. COOPER. How about if they are hauled to the brig or something like that, taken out of the home. Does that become significant enough to be entered on the personnel record?

General PARKS. We start to get into case-by-case evaluations here. But at the point at which there are some sort of charges—

Mr. COOPER. Charges filed.

General PARKS [continuing]. Filed or if the command, if the incident is referred to the commander and then he intends to take some charges then that is where the personnel record entries would begin to accrue. So, the MP's themselves do not make entries in the personnel records.

Mr. COOPER. I was wondering about a situation in which a battered spouse might have to call the MP's repeatedly and that not end up on the personnel record of the offender if those charges are later withdrawn or there is some sort of temporary reconciliation. Would that be the case?

General PARKS. Again, sir, the MP's reports do not end up the personnel records. They are referred to the individual's commander. He or she, depending on what action they take would decide what goes into the record and then what is later either retained in the record or expunged. They do, of course, maintain the innocent until proven guilty adage of the Constitution.

Mr. COOPER. Even in the case of repeated calls or tell me what would happen in the case that allegations were made part of the record, how would that affect the promotion or the retention of that individual in the service?

Secretary ABELL. Well, nothing is easy. There are record entries that promotion boards would see. There are record entries that promotion boards would not see. And, again, the commander has great latitude in deciding what sort of entry to make.

Mr. COOPER. You can be a wife beater and not have that come before the promotion board at the discretion of the commanding officer (CO)?

Secretary ABELL. If the commander chose to keep that information restricted then the promotion board would not see it.

Mr. COOPER. Are there any guidelines to encourage the CO to disclose wife-beating propensities to promotion boards?

Secretary ABELL. I would answer that the commanders have—are trained and have guidelines and they seek the counsel of their judge advocates on what to do in all of the cases. It would be unfair to say that there was a guidance on wife beaters, if you will, or domestic violence.

We are developing those now as a result of the task force recommendations. We will train the commanders. We will train the law enforcement people. We will train the victims' advocates and we will resource getting more victim advocates out there to help everybody to be able to understand what to do in these issues.

Mr. COOPER. How about on the base commander's efficiency report. Are allegations of substantial domestic violence on base part of the commanding officer's evaluation?

Like at one base is a road base and there happens to be a number of allegations or a number of problems and those go uncorrected for a period of time, does that become part of the personnel record of the base commander as he seeks promotion?

Secretary ABELL. It could be. Again, if the commander to whom he reports makes it a matter of entry. It is not a mandatory entry on any record at this point.

Mr. COOPER. But, all this could still be swept under the rug under today's regulations because there aren't any regulations on it.

Secretary ABELL. I am not willing to accept that. Our commanders know what is right and wrong. They know how to deal with people. What we have to help them to understand is the complexity and the nuances of handling domestic violence. They certainly know how to enforce good order and discipline in their units and on their bases. And they are held accountable by our system if they do not.

Mr. COOPER. How about service men who have had the privilege of attending a military academy, are they held to a higher standard or any different standard than anyone else in the military?

Secretary ABELL. No, sir.

Mr. COOPER. So, there is no additional training that would come from a West Point or an Air Force Academy or an Annapolis to encourage them to behave like an officer and a gentlemen?

Secretary ABELL. No, sir, there is no higher standard.

Mr. COOPER. How about on the question of dishonorable discharge. Is wife beating grounds for dishonorable discharge from the military?

Secretary ABELL. The correct term would be other than honorable, congressman, and yes, that is an option for a commander to pursue.

Mr. COOPER. What are the statistics on people discharged other than honorably for domestic violence reasons?

Secretary ABELL. I do not have those with me, sir. We can try and get them for you for the record if you would like.

Mr. COOPER. Does anyone on the panel know if that is frequent or an infrequent grounds for dismissal from service?

Ms. TUCKER. I am going to let Mr. Abell double check, but as I recall it was less than two percent of dishonorable discharge was due to domestic violence. And one of the strengths of the military is they have this transitional compensation program for victims.

So, that if their spouse who supports them and the family losses their job as a result of domestic violence and is booted out of the service, then there is this program that will provide them a period of assistance. But the papers that the person gets booted out with has to say domestic violence for them to be eligible. So, that is another area where a lot more education has to be done for commanders that they are really doing the victim a favor if they write down domestic violence on those papers instead of hiding it.

Mr. COOPER. But, if your figure is correct that only two percent of other than honorable discharges are as a result of domestic violence, there seems to be a gap between the number of repeat offenders and those who are dismissed on those grounds.

Ms. TUCKER. Exactly.

Mr. COOPER. How big a gap is that?

Because those would be victims' families not receiving this compensation that you are describing. Those would also be individuals that, perhaps, should leave the service——

Ms. TUCKER. Right.

Mr. COOPER [continuing]. But have not been encouraged to leave because of the understanding that this discretionary information

that might not surely even come up in a promotion situation in which these people are being advanced in their careers for good behavior. It is curious to me that these are not part of guidelines that that promotion board would not to take comprehensive look at the individual's record in the service so they could make a balanced judgment on how the individual is performing in all aspects of their military career.

General PARKS. Would the gentleman yield?

Mr. COOPER. I would be delighted to yield.

General PARKS. As a matter of interest to the line of questioning you are pursuing, Debbie and I are working on a case similar, but different from the very good question that you are asking.

We have a victim, a spouse, whose less than honorably discharged because of domestic violence and that was part of the unfortunate escape mechanism that she had to use. My point is, we are looking at your question as are others through the front door and through the backdoor.

Mr. COOPER. I appreciate the gentleman's point and I appreciate your vast knowledge on these issues because I am new to this, as I say. Tell me about at the general officer level is there any extra scrutiny applied to general officers as they get promoted for these matters? Are the leaders of our military held to any higher standard than the average enlisted man?

Secretary ABELL. Congressman, I would tell you that just the fact is that our general and flag officers are held to a higher standard in almost every regard. The standards on the books are the same; the expectations are that they are, that we do hold them to a higher standard.

Mr. COOPER. But, if what you told me earlier is correct, that information could be withheld about repeated MP calls to their residence or whatever. It would be at the discretion of the CO.

Secretary ABELL. It is possible. I am concerned that I am trying to answer your questions directly and we are sort of getting the bit of misinformation here and I would hate to leave it like that. I go back to what General Parks said earlier, our commanders try to do the very best job.

They understand how to discipline their force, how to keep their charges in the path of righteousness and there is no, at least to my knowledge and experience, effort to sweep domestic violence under the carpet.

Mr. COOPER. But, Ms. Tucker said earlier that the base commander at Fort Bragg admitted he knew nothing about it. And she congratulated him for having the openness to acknowledge that. There are probably many other base commanders around the country, around the world who are in a similar position, because Fort Bragg is a major base. It is a great place. That is a very distinguished command. And if he knew nothing about it, I would suggest they are probably as widespread lack of knowledge.

Secretary ABELL. I think we are all getting smarter about the nuances of domestic violence and what it entails and the fact that it is more complex than we think it is. I will let Ms. Tucker explain to the colonel down at Fort Bragg, but what I understood her comments to be that he did not understand about domestic violence.

That is not to say that he did not understand what to do when there was a lapse in good order and discipline or a violation of the uniform code of military justice or a violation of policy on his base.

The other thing, and I mentioned it earlier is that when a commander gets information on one of his service members, he or she evaluates that in the total context.

So, if we have a service member who is a substandard performer who has not been selected for promotion along with his or her peers and the commander and the non-commissioned officers have been working with that soldier, sailor, airman or marine to make them a better service member and then there is an incident, reportable incident of domestic violence that is determined to be criminal behavior, the commander may well say that is it, this one is not salvageable and discharge that individual through an administrative process, get an other than honorable discharge. And the other than honorable discharge might well not be characterized as a result of domestic violence because it was a commander's evaluation of the whole person.

Now, perhaps, part of our education to commanders is to say if domestic violence played a part in your decision, in order to assist the victims, you should identify that as part of the discharge package. That is different from leaving on the table the implications that the commander was not dealing with the domestic violence or that somehow the statistics reveal that commanders are not dealing with domestic violence as brought to their attention. I do not believe that is the case.

Ms. SANCHEZ. Would the gentleman yield for a minute?

Mr. COOPER. I would be delighted.

Ms. SANCHEZ. This just comes back to—and you were not in the room at the time, Mr. Cooper, but to the whole issue of the new implementation or the recommendations that we have got and the implementation of how do we hold our commanders accountable?

And I asked the question, will this be in writing somewhere? Will there be a checklist? Is there a little list that you go down that says how good his physical training (PT) is and how good this and how good that is and you know, where is the slot for how did he handle family problems of the soldiers that he oversees? And I think the answer I got from the Under Secretary was well, it is not really going to be in writing and so it really is something that I think this committee might discuss about how do we hold—you know, is this piece of work important enough to us to hold, you know, to make people understand that maybe their promotions will be on the line if they do not do a good job.

I thank the gentleman for yielding.

Mr. COOPER. I thank the gentlelady. I apologize for straining the patience of the chair. It does seem to me to be an area in which it is difficult to generalize because, as General Parks said earlier, there is not jointness yet in services and some inconsistency is prevalent between the services and between the bases. Would any of the panelists care to characterize the service that has done the best job so far of focusing on these problems?

Ms. TUCKER. No, but I would like to say that on Page 61 of our report we have a number of elements of—and this is included in what is referred to as the command protocol. And the command

protocol lays out our recommendations for how command interact in these cases.

Under system accountability we bring up several issues. One is the Defense Incident Base Response System (DIBRS), the recording system for incident base recording of every crime that occurs in the military, that that system be required of the command that they put in what they did about that case. So, if the MP's go out, they identify somebody is aggressor. They put it in the blotter. The commander reads that blotter and takes no actions; there should be this glaring hole in the DIBRS program that shows that the commander responsible took no action on that case. So, that is one thing.

Quarterly, we want commanding officers with the authority to conduct court marshals to review every single open case, especially with regard to offender intervention and to know all the service members within their command where there is any pending domestic violence issue. We also recommend that installation commanders and let me say that I did not mean to imply that Colonel Davis knew nothing and I want you to know that——

Mr. COOPER. I was not being critical of him, it is just the——

Ms. TUCKER. No, no, what I meant was that you have to congratulate people who take the risk of saying, you know, I am in a situation where I am in over my head and help me, as opposed to trying to deflect or to pretend like they have it all under control when they do not have a clue.

So, I respected him for saying I need to learn a lot more. This is much more complicated and difficult than I ever knew. That is what I should have said than he didn't know anything.

But, in addition, we say installation commanders should meet quarterly with the victim advocates and all the commanding officers to find out what is going on in the system, where cases are at, what needs to be done and so forth. So, they would take a much more stronger leadership role. There are several other things and one of the toughest compromises that we came to in our deliberations was around this whole area of command role and responsibility.

And what we finally decided is that includes, because of the urgent need for command officer action to safeguard victims, victim advocates and victims must be encouraged to exercise the military chain of command in cases where the commanding officer's response to instances of domestic violence is inconsistent with established guidelines. And we go on to basically say if somebody is not doing what needs to be done to intervene with this problem, raise hell with their boss. And we want that to be the policy.

Mr. COOPER. I thank the gentlelady.

I thank the chair.

Mr. MCHUGH. I thank the gentleman and to our panelists, I would say the gentleman has refocused on an issue we talked about somewhat tangentially earlier. And I can only speak for myself. I happen to think that the ability to demonstrated record to respond to this particular issue ought damn well be part of your evaluation as a commanding officer, whether or not you should receive promotion. And I do not singularly have the power to require that, but I would certainly encourage you, Mr. Secretary, to con-

sider that as part of the chairman's recommendation as you go forward with this work.

We have obviously heard the bells here. We are delighted that the ranking member, Dr. Snyder, is back with us for the first time since his medical experience, living, breathing, looks well. We are happy with that. Vic, I do not know if you would like to interject anything at this point.

Dr. SNYDER. May I ask one question?

Mr. MCHUGH. Certainly. You are the ranking member.

Dr. SNYDER. And I appreciate your kind words. I have been subject to transformation, but not cancellation. And I apologize for not being able to be here. Just one quick question there is so much flux and change and moving around within the military. How did you all address the issue of if you have an alleged perpetrator or just some index of suspicion and yet the person may just be assigned there for six weeks or two months and then moves somewhere else? Is that—I would think that would be a particular challenge for the military. If you would address that and just tell me and I will talk with someone later.

General PARKS. We did not address that yet this afternoon, sir. But, we did recognize that, talked about it. It came up, not necessarily in the context of the question you asked, but the fact that, as I alluded a few minutes ago, an era of jointness where people are assigned working with other services and other bases and our programs are not consistent as it stands right now. And, so we recognize the need to standardize all those to ensure that the, as Ms. Tucker just mentioned, the defense incident base response system (DIBRS) is up and operational so that when an entry is made, such as you referenced and the individual transfers, that could be tapped into to ensure that we have that to another—at another command.

Similarly, if an individual receives treatment and care and he is into it for three weeks at this particular base but transfers then the remaining portion of it is a same system at another base and he simply picks it up from week three on to the conclusion of the program.

Ms. TUCKER. Or we said if he was being considered for transfer to a place where no offender intervention program existed, like we were going to send him, you know, to some teeny tiny little spot someplace, that that be postponed until the intervention program was completed. So, again, those are recommendations that we made.

Sometimes I wish that we could say all of these things are facts and are going to be this way from this point forward, especially for the many people who spoke to us over the three years with problems that they had experienced that did not get addressed in a manner that felt supportive to them. But, I think we have a lot of good ideas here that will close loopholes that have allowed offenders to not be clearly seen from command to command as they transferred.

Dr. SNYDER. Thank you, Mr. Chairman.

Mr. MCHUGH. Thank you, Mr. Snyder.

Obviously, we have a situation on votes that in fact as we look will cause us with four votes and because of the parliamentary re-

quirements it is going to be a better part, if not an hour, before we are able to come back. We are discussing and it has not been finalized and Mr. Chapla is going to confer with the remaining three panels.

I suspect that we are going to bear or their understanding upon at least two of the other panels and perhaps ask them to come back at some other time. This has been a very enlightening, very important panel, obviously, with two hours if we didn't and an intervening hour on votes, we would be here until midnight. It does not bother me, but I do not expect any of you good folks to put up with me for that long. So, we will discuss that. I expect we will at a minimum get to the next panel however.

But, let me just say to this first panel, thank you so much. And there are many other questions we could pursue. I reiterate my deepest appreciation to all of you, and particularly, General Parks and Ms. Tucker for their devotion on this. And I would say to Secretary Abell, we have a lot of questions with respect to where the rubber hits the road, that is on money and I understand, in fact, the task force itself said that it is impossible really to define this.

But, we are going to want to know very quickly in the 2004 budget recommendations how you intend to expend the resources in the military to implement these. These are very, very important issues. We feel very passionately about. And this will be an ongoing oversight activity. So, we look forward to working with you.

I have said it several times. I understand we all serve the same objective here. But, it is got to start at the top. There has to be a cultural change. There has to be a system in place that reaches that delicate balance between the need to encourage victims to come forward with the understanding it does not necessarily destroy the spouses' career. But, by the same token, it has to be a measure that lets these potential abusers know we are not going to tolerate it. And that is a heck of a lot easier said than done. But, it is a very, very important objective and we need to work together. And I promise you we are going to do that.

So, thank you all. I would put the subcommittee at a recess. And if the other two committee—three panels can get together with Mr. Chapla and talk about the schedule.

We stand in recess.

[Recess.]

Mr. MCHUGH. Let's reconvene the hearing, and I appreciate all of your patience. And I suspect most if all not of you have far more clarity on exactly how we are going to approach this than I may demonstrate here in the next few moments, so let me try to explain it as I understand it.

Unfortunately, we failed at what I would say adequately accommodate the extensive interest, not that we did not understand that, but the subcommittee participation on the first panel, and that has dramatically changed the expectations we had in so far as being able to accommodate in fact three other panels. And I appreciate all of your forbearance in this.

And let me say to the second and Mr. Stewart, who, in essence, is the third panel, we recognize the importance of all of these initiatives. We understand as well the demands upon your time, and we are trying to reach a balance here that meets the needs of the

subcommittee and does not unduly impose requests and demands upon you beyond those that have already been imposed.

But it is our intention, and Mr. Cooper, the gentleman from Tennessee, is going to stand in as ranking member, so that we can accommodate panel two on joint officer management and joint professional military education. And Mr. Stewart has been gracious enough to agree to remain and offer his testimony in so far as the questions on reserve compensation and benefits portion of panel number three. And we will try to make a determination as to the previously scheduled panel number four, which had to do with the Department of Defense study of active and reserve components force mix, all of which are important but we have to be realistic as to time available.

So with that, and an added word of appreciation to our distinguished members of panel two, let me just introduce them for the record. Derek B. Stewart, who is director of Defense Capabilities and Management for the General Accounting Office. Welcome, sir. Dr. Paul Herbert and Mr. Stuart Wilson, associates of Booz Allen Hamilton.

Gentlemen, to all three of you, thank you so much. And why don't we get right to the testimony and we will call upon those in the order in which I just stated them.

So, Mr. Stewart, our attention is yours.

STATEMENT OF MR. DEREK B. STEWART, DEFENSE CAPABILITIES AND MANAGEMENT, GAO; MR. STUART E. WILSON, ASSOCIATE, BOOZ ALLEN, HAMILTON AND MR. PAUL H. HERBERT, ASSOCIATE, BOOZ ALLEN HAMILTON

Mr. STEWART. Yes, sir. Thank you, Mr. Chairman.

Mr. MCHUGH. Thank you.

Mr. STEWART. We are pleased to be here today, and as far as my part goes, Mr. Chairman, I did not mind the wait at all. Thank you very much.

Mr. MCHUGH. Thank you. You are very gracious.

Mr. STEWART. We are here to talk about DOD's efforts to develop joint officers in accordance with the Goldwater-Nichols Act. We reviewed DOD's efforts and concluded in a recent report to you, Mr. Chairman, that DOD lacks an overarching vision or strategy for joint officer development. We recommended that DOD develop such a plan and that they link joint officer development to DOD's overall mission and goals.

My statement then today will address three things: The need for DOD to develop this strategic plan, the success and limitations that DOD has experienced officers with joint experience and the challenges DOD has experienced in educating officers in joint matter regarding the need for a strategic plan.

We believe that a significant impediment affecting DOD's ability to fully realize the cultural change envisioned by the act is that DOD has not adopted a strategic approach to develop officers in joint matters. In other words, DOD just does not have clear goals in terms of where it wants to go when it comes to joint officer development.

For example, DOD has not determined how many joint officers it needs to staff over 9,000 joint positions. DOD also not deter-

mined how many JSOs, or joint specialty officers, it needs. In fact, the number of JSOs has decreased from over 12,000 in 1990 to fewer than 5,000 in 2001. The act requires to DOD to fill about 800 critical joint duty positions with JSOs. In 2001, DOD filled only 330, or 41 percent, of the 800 positions with JSOs.

Further, DOD has not yet within a total force concept fully addressed how it will provide joint officer development to Reserve officers serving in joint positions. Just, incidentally, Mr. Chairman, DOD has identified nearly 3,000 joint positions to be filled by reservists when it operates under mobilized conditions. We may be close to that.

Turning now to promotions. In 2001, DOD promoted more officers with joint experience to a general and flag officer level than it did in 1995, but it still relied on waivers to do so. The act requires that officers promoted to the general and flag officer level complete a full tour of duty in a joint duty assignment or receive a waiver.

We found that in 1995 only about 50 percent of officers promoted to this level had the required joint experience, compared to about 75 percent in 2001. So there was some improvement.

Regarding promotions of mid-grade officers, that is O-4s to O-6s, we found that between 1995 and 2001, DOD met more than 90 percent of its promotion goals for officers who served on a joint staff, almost 75 percent of its goals for joint specialty officers and just over 70 percent of its promotion goals for all other served in joint positions.

Last, Mr. Chairman, the act requires DOD to develop officers through education in joint matters. Accordingly, DOD has developed a two-phased joint education program. The first phase has been incorporated into the curricula at the service's intermediate and senior level schools. And the second phase is provided at the Joint Forces Staff College. DOD also provides a combined program that includes both phases at the National Defense University.

DOD has experienced difficulties providing the second phase of the program. For example, the number of empty seats at the Joint Forces Staff College has risen significantly in recent years from a low of 12 empty seats in 1998 to more than 150 empty seats in 2001. So in other words, the school operated at a little above 80 percent of its 900-seat capacity in 2001. According to DOD data, only one-third of all officers serving in joint positions in 2001 had received both phases of the joint education program.

Mr. Chairman, this concludes my oral statement. I would be happy to respond to questions. Thank you.

[The prepared statement of Mr. Stewart can be found in the Appendix on page 409.]

Mr. MCHUGH. Thank you very much.

Although we are very privileged to have both Dr. Herbert and Mr. Wilson, I understand, Dr. Herbert, you will be presenting the testimony on behalf of both of you.

Dr. HERBERT. Yes, sir, that is correct.

Mr. MCHUGH. Please, sir.

Dr. HERBERT. Mr. Chairman and distinguished members of the subcommittee, my colleague, Mr. Wilson, and I thank you for this opportunity to update you on our recently completed independent

study of joint officer management and joint professional military education.

The Congress called for the study in Public Law 107-107, the National Defense Authorization Act for fiscal year 2002. Booz Allen Hamilton was awarded the contract by the Department of Defense in September 2002. We submitted our report to the department on March 17, and we will submit the full report to the House and Senate Armed Services Committee on March 27. Our written statement today includes the report's executive summary, which has been provided separately, about which we would like to make a few short points.

First, joint officer management-joint professional military education is established by Chapter 38, Title 10 of the United States Code and is a key pillar of the Goldwater-Nichols Department of Defense Reorganization Act of 1986. The purpose of Chapter 38 is to promote the joint war fighting effectiveness of the armed forces by ensuring that the Army, Navy, Air Force and Marine Corps provide to joint commanders and joint organizations a fair share of their best officers, many of whom have been trained and are experienced in joint matters.

The focus of our study was the effectiveness of this system of joint officer management and joint professional military education in view of proposed operational concepts.

Second, our study concludes that joint officer management-joint professional military education has been effective since 1986 but requires updates in practice, in policy and in law. Due to Goldwater-Nichols and initiatives within the Department of Defense and the services, today's armed forces are far more capable of planning and conducting joint operations than was the case in 1986.

Also, joint organizations are staffed today with high quality, trained and experienced officers. Further, there is a significantly different culture today in the armed forces and the officer corps that embraces joint warfare and the Goldwater-Nichols provisions. The issue is not over whether to advance joint war fighting but over how to do so.

Third, update in practice, policy and law is necessary, because an increasingly joint style of warfare places a premium on joint awareness and proficiency by more officers. It requires that military professionalism within each service include a strong component of joint acculturation and proficiency. Also effective are other people in the Department of Defense besides the field grade and senior officers at whom Chapter 38 is directed. These include junior officers, Reserve and Guard officers, senior non-commissioned officers and civilians.

Fourth, change in the armed forces is due, in part, to the joint professional military education of officers required by the Goldwater-Nichols Act and given powerful stimulus by the 1989 review panel of the House Armed Services Committee, chaired by the Honorable Mr. Skelton.

Generally, joint professional military education works well. We make two recommendations in our report with regard to it. First, to convert the Joint Forces Staff College at Norfolk, Virginia from a 90-day school to a full one-year joint staff college and, second, to authorize the professional education of future joint specialists at

service colleges as well as at joint colleges. This investment is necessary because joint warfare requires enhanced professional joint education of officers.

Fifth, joint officer management can be better attuned to new joint requirements, especially with regard to the development and utilization of joint specialty officers established by Chapter 38. There are many positions in joint organizations that require previous relevant joint experience and education. The law presents difficulties for the services and the Department of Defense and can be streamlined to better align with today's requirements. Our report makes several recommendations in that regard.

Sixth, whatever changes to law may be made, control of joint officer assignments should not revert to the four individual services. Chapter 38 removed control over officer assignments to joint organizations from the four services and gave that control to the secretary of defense and the chairman, Joint Chiefs of Staff (JCS). Such external control remains necessary to balance the interests of joint organizations with those of the services and service organization. Nearly every former Joint Chiefs of Staff we interviewed stressed this point.

Therefore, we recommended that the Department of Defense take a more strategic approach to joint officer management and joint professional military education. The department should cast recommended changes to law clearly in the context of developing the officer corps for joint, multinational and interagency operations.

Equally important, DOD should specifically address how the secretary and chairman JCS would retain control over joint officer assignments to continue to ensure that a fair share of high quality, educated, experienced officers serve in joint organizations. This strategic approach should have the personal imprimatur of the secretary of defense and the chairman of the Joint Chiefs of Staff.

Thank you for your attention, sir, and we are pleased to answer your questions.

[The prepared statement of Dr. Herbert and Mr. Wilson can be found in the Appendix on page 427.]

Mr. MCHUGH. Thank you, Dr. Herbert, and to all of you gentlemen and to the organizations you represent. We deeply appreciate it.

The subcommittee will announce in the relatively near future the membership of a task force we are creating to further pursue this issue. We think it is of sufficient complexity and know it is of vital importance to make sure we have a number of members who are particularly concerned, including Mr. Skelton, who has been mentioned by you before, who has a long-standing involvement in this and others, to try to evolve it further for our full subcommittee recommendation, ultimately, of course, the full committee consideration. And I want to assure you, both of your reports will be very, very instrumental in that task force's work.

But let me start, I think there is some common ground here between the two reports. Particularly, it is the calling for the development of a strategic plan by the department to more effectively implement the requirements of this program and to do it in a way that perhaps would obviate some of the numbers that you, Mr. Stewart, spoke about in terms of empty seats and assignments of

individual officers who technically should be qualified under both phases of the study program but, as you noted, are not yet.

We have not yet seen the legislative package that DOD is going to send over. We know one is coming, we have some indications in broad terms what they may encompass. But we do understand, at least on the informal level, particularly to the GAO report, that DOD is suggesting that the major impediment for their implementing a strategic plan are those impediments found in the current law, that what they really need is the legislative package.

I would be interested—and I am sure it is a little bit of both, but DOD's—and it is not fair for me to characterize it, but I am getting the clear impression DOD's position is the vast majority of impediments as to developing a strategic plan is not their unwillingness to do a strategic plan but they cannot until they get the legislation changed.

To what extent do you accept that, if at all? And any ideas or any suggestions on what kind of specific legislative changes should be done first? And I would go to Mr. Stewart first on that.

Mr. STEWART. Thank you, Mr. Chairman. We do not accept that position from the DOD. I do not know whether Dr. Chu's letter made it to the committee but in January, a month after we issued this report, Dr. Chu sent GAO a letter, actually it was a letter to the hill, saying that they did subsequently agree that a strategic approach was necessary.

Mr. Chairman, one caution that I would urge about legislative changes, I would ask the DOD to demonstrate how the legislation is an impediment. The legislation has built into it a number of waivers for almost everything—how you designate joint specialty officers, waivers for promotions to the general flag officer level.

I mean the law has a number of waivers, and we just do not understand how the legislation has been an impediment to the DOD. And I would just ask them to demonstrate that before we decide to make any changes to the legislation. There have been, as you know, a number of changes to the legislation already, a number of amendments, that I think, quite frankly, free the DOD to have a little more flexibility.

But what we are talking about is really basic, fundamental things like how many joint officers do you need? You say you have 9,000 joint positions, that has been certified by the secretary. How many joint officers do you need to fill those positions. The law requires DOD to create 800 critical joint duty positions.

How many JSOs do you need to fill those positions? How many JSOs are you producing on an annual basis? How do you know that that is a sufficient number? How do you know that your education program is structured so you produce the right number of joint officers each year, JSOs? So I mean these are fundamental questions that DOD has not been able to provide us a response to.

Take reservists. We went to about 12 different joint commands, Tactical Army Command (TACOM), Unified Command (UCOM). We found reservists working in every one of those joint organizations—every one. But when you ask DOD how many reservists do you have working in joint positions, they tell you zero, because they do not count them, because they do not educate them, they do not

have an education program for them, they do not meet the requirements.

But then we discovered that DOD has identified nearly 3,000 positions that it plans to fill with reservists, joint positions, if ever they are under mobilized conditions.

So these are just fundamental questions, basic questions that the department should be able to answer. And our position is if they adopted a more strategic approach, they would be able to answer these questions. And until they can, I would be leery of any request to make changes to the legislation.

Mr. MCHUGH. Thank you for that very clear observation.

Dr. Herbert and Mr. Wilson.

Mr. WILSON. If I could—

Mr. MCHUGH. Absolutely. Mr. Wilson.

Mr. WILSON [continuing]. Make a comment on that. One of the things—as we went through the study, there were several questions that we put to ourselves and several observations as we developed our report. And the first observation is that the nature of war, the art of war is changing.

It is becoming increasingly joint. With that in mind, taking a strategic approach to developing the joint work force, as we call it, because it is more than—as we found, there were more than just officers who were impacting on joint positions.

We found that there were situations where the officer assigned against a position is deployed and sent someplace else. And the non-commissioned officer (NCO), senior NCO working in that office has to answer the phone, work the issues, because the problems and the issues associated with that headquarters has not gone away. However, that individual is not trained and educated for conducting the responsibilities of that position.

There is sufficient flexibility in the law at present to structure the system, the positions that are there that require the particular joint skills and joint competencies that the Department of Defense could establish the requirements and then come back and say based on the legislative requirements that currently exist, there are things that are really impediments to what we do. There is waiver authority but if waiver authority becomes the norm, then some change is needed there.

Reference was made to critical positions, for example. Forty percent of the critical positions are filled with individuals who are not JSOs. And each of those positions, each of those filled is done on a case by case waiver basis. That is fairly extensive use of waiver. That suggests a different approach needed. I think that if taking a strategic view, saying what do we need to do—what sort of skills and competencies are required to do this position, clearly identify those and then identify the individuals who fill those positions. Because one of the questions we would ask, for example, are critical positions valid positions? We were told critical positions really do not help. So we asked the question are there positions on this headquarters where it is particularly important that the occupant of that seat, the incumbent, have previous experience in a joint job as well as education? And folks could identify those positions. I think the strategic approach would allow you to identify what those positions are and then go forward from there.

There is sufficient flexibility to establish that system, come back and say to Congress, "The legislative requirements for a floor of 800 positions," because that is the minimum requirement, "is either too much or too little but here are the positions that we need." At present, that does not exist within the Department of Defense.

Mr. MCHUGH. Well, let me just pursue that a bit more. I could not agree with you more. If you have a piece of legislation, be it applied against this issue or any other, where the waiver becomes the norm, you need to change something. And your comments on that are very well taken.

But I wonder using the figure of 40 percent, I believe you said, where all of those 40 percent are under waiver, while we certainly need to look at the legislative foundation upon which that occurred, might not that also suggest, however, that a plan by which to fill those 40 percent in another way if it is not consistent, I mean it seems they are just relying on the waiver because they are not meeting the requirements through the training and education program that should lead up to candidates being available who have that training go into that 40 percent. Or am I missing something?

Mr. WILSON. You are not. To identify those—I will tell you, the people who are filling those 40 percent of those slots are not slouches; they are O-6s, they are O-5s, they are proficient, confident individuals. They just do not meet the requirements of the law that says that they should be joint specialty officers.

There needs to be a process that identifies what the actual requirement is. At the time when the law was established, initially the requirement was for 1,000 and that was an estimate, that was a best estimate. There was a subsequent study that said maybe 1,000 was too much, and the number was lowered to 800. But that is still an estimate.

Nobody has gone out and actually counted what are the positions that I need to have somebody that needs to have previous relevant experience to get that job done. That has to be done. And I think that there is sufficient flexibility to do that.

However, the dilemma that the Department of Defense finds itself in is that there is a requirement to fill 800 positions with JSOs, and they fell obligated to meet that requirement, or if not meet it, then to use a waiver to get an individual who is capable of doing that job in that position.

Mr. MCHUGH. Understood.

Mr. STEWART. Mr. Chairman.

Mr. MCHUGH. Sir?

Mr. STEWART. If I may—

Mr. MCHUGH. Please do.

Mr. STEWART [continuing]. Weigh in here? That is another reason why we are pushing the strategic approach. Because if DOD finds that 800 is not the right number, if they did this strategically, they could tell Congress what the right number is. I do not know what period of time Booz Allen looked at, but when we looked at these 800 critical joint duty positions, of the 800 positions, only 330 were filled with JSOs. There were also another 300 positions that were just totally vacant, not filled at all.

So if it is more positions then the department feels it needs, then with data and with looking at this whole thing strategically, they

would have the information to come back to Congress and say, "Here is the right number, and here is the right number of JSOs, and here is the right number of joint positions, and here's how many people we should be educating each year in order to produce the right number of JSOs." But they do not have that information because they have not adopted a strategic approach.

Mr. MCHUGH. Mr. Wilson.

Mr. WILSON. Yes. In our report, for example, on that subject, we suggest a methodology, a way of going forward. There are 9,102 positions, field grade O-4 and above, in the joint staff unified combative command defense agencies that are on the joint duty assignment list.

Of those 9,000 positions, at present, 50 percent should be filled with joint specialty officers or joint specialty officer nominees. A strategic approach to the actual requirements of how many people I need to fill those positions could go forward in defining those positions where it is critical that I have previous experience in those positions.

There are some positions where it would be required that the incumbent have either education or previous experience in that position, and there would be some positions where it is good training for somebody at a future stage to be involved integration of air, land and sea forces in a campaign to be associated with joint matters. However, no such criteria exists for identifying those positions.

And what that does is it drives the system to produce individuals based on an estimate of how many joint specialty officers and joint specialty officer nominees are needed, that number being 50 percent, that, in turn, drives production requirements at Joint Forces Staff College in producing joint professional military education level two qualified individuals and all of those sorts of things, rather than on what do I actually need to get this job done.

Mr. MCHUGH. Yes. Dr. Herbert.

Dr. HERBERT. Mr. Chairman, I concur with everything that has been said by my two colleagues here. What I would like to add to that discussion, your question of whether or not the law is an obstacle to the strategic plan, no it is not. We made the point in our opening remarks that the law could be streamlined, but that streamlining ought not to take place in the absence of this more comprehensive approach.

And my observation would be that when you look at the implementing policy within the Department of Defense for this particular part of the law, it is almost a word for word reflection of the law. It is not an elaboration, it is not a further discussion, it is not an implementation.

And so the management of this whole program is very, very much focused on the annual reporting requirements of the Secretary of Defense to Congress. And by most of those measures, DOD does a pretty good job. And because those things force certain kinds of assignment patterns to happen, positive changes happen. This is not all like it is a great disaster.

But one of the things we say in our report is that the law gives a fairly good center of gravity for strategic approach because it defines the term, "joint matters," and it says these are matters relat-

ing to the integrated employment of land, sea and air forces and the associated strategy planning and command and control and combat operations of those forces.

That is a real good center of gravity on which to base thinking about in this era of a changing style, a profoundly changing style of warfare, of thinking about these requirements and how the law might be updated to meet them.

You will read this in our report but our critique is that much of what actually takes place is focused far more on meeting the numbers than it is that understanding of what joint matters are and why we have these systems in place in the first place.

Mr. MCHUGH. Yes. And I think that is a critical point. And I do not really think there is a wide chasm between the approach here between your companies, that any legislative initiative should be predicated upon the clear intent of implementing a strategic policy, rather than just making some subversive changes to it that would apparently just further that which you just observed most recently that this is almost a mathematics challenge for the services and DOD to meet the numbers rather than to embody the principles of the program. Fair?

Dr. HERBERT. Yes, sir. I think that is fair. I think that is fair.

Mr. MCHUGH. I do not want to put any words in your mouth.

Dr. HERBERT. In all of these issues there is a glass half empty and glass half full quality to it, and I think you have read our bios. Mr. Wilson and I are both retired military officers. I would give the department a lot of credit for it being a very different set of armed forces that are before you today. And the general officers who come in here to talk to you about this issue are people who have served the last 20 years under Goldwater-Nichols. It really is a different generation of officers. And I think that is all to the good.

But a better job can be done of focusing these processes on joint war fighting requirements more clearly, more specifically in order to derive those legislative changes that may be necessary.

Mr. WILSON. Sir, if I could add—

Mr. MCHUGH. Mr. Wilson.

Mr. WILSON [continuing]. A point here. If I think of this from a strategic perspective, I think a strategic review would probably identify for the Department of Defense that there are probably positions right now that the law does not accommodate as positions that would allow them to give an individual credit for joint duty.

I will use, for example, there are positions within the services. If I am a Navy officer serving in an Air Force organization that is involved in integrating the air power of the Air Force, the Army, the Marines and the Navy, that Navy officer serving on that Air Force staff is involved in integrating the capabilities of more than one service. That individual does not get credit for the three years that they spend in that job. That is an extra levy on that individual's career path.

I think a process that goes through identifying those kinds of positions and provides a sound trail that takes you from A to Z in how that individual and what that individual does would allow the services to utilize that individual. They would see that payback for that individual's time away from the service. They would not then see that as an additional levy.

And I think one of the things that needs to happen with a strategic approach is how do I take the requirements of the joint world and integrate them with the requirements of my service career path so that when I send an individual to a joint job it is not something that is extra or additive? I do not pay a penalty for sending my best and brightest to a joint organization. I see return because there is a better mesh between the two.

I think that is something that is very difficult to legislate. It is something that has to happen as a sort of integrative, collaborative process between the Department of Defense, the Joint Staff and the services.

Mr. MCHUGH. Point is well taken. Let me yield to Ms. Sanchez if she has any questions.

Ms. SANCHEZ. Thank you, Mr. Chairman, and thank you, gentlemen, for being here. I know Booz Allen does good work, because I used to work for that firm. [Laughter.]

But I actually have a question back to what you were just talking about, somebody getting assigned into a joint service situation and then coming back and maybe their superior not finding a value, in essence, of that.

I guess I would say is that the case? Is it typically viewed as something that you go and do for a few years but there is really not—how does it affect an individual soldier in their career path? Is it a good thing, is it bad, do we not place a heavy enough emphasis on that, in their promotional abilities?

Mr. WILSON. I would say that a joint job is a plus. There are individuals who see benefits in joint assignments. One of the critiques of the current system is that because a joint job is a prerequisite to be promoted to general.

If I have not done a joint job by the time I am selected for general, then my first job after selection has to be in joint duty. That requirement introduces a "careerist" aspect to it. If I need to go get a joint job because a joint job helps me get promoted, it may not make me a general but it helps, it is a good ticket to have.

So on one level, a joint job is a good thing to have. If I do it once, fine, but there are individuals in response to our survey who said that if I do it more than once, I see it as a detriment, because it is keeping me away from my career path that will allow me to be promoted and selected for command.

Ms. SANCHEZ. Within a certain service.

Mr. WILSON. That is correct.

Dr. HERBERT. Right.

Ms. SANCHEZ. Did you find the same thing, Mr. Stewart?

Mr. STEWART. Yes. A joint job is a plus as long as it does not take you away from your service for too long.

Ms. SANCHEZ. Because the service itself, or the commanding officers of that service, view it as outside—

Mr. WILSON. Not necessarily. There may be certain jobs that in order to command men and women in battle, you need to have—

Ms. SANCHEZ. You need a certain set of skill sets and—

Mr. WILSON. You need certain skill sets and you need a certain degree of credibility leading men and women with those positions. But one of the things that we noticed that there is a difference

across various career fields: There are some career fields that are joint intense.

For example, in the intelligence community or in the communications community where there are more opportunities for repeat assignments because that is where the jobs are, that is where the significant integration of—and especially with the developing technology the things that make joint—information operations, communications, space, those sort of things—very often they allow for careers at responsible levels, at O-6, for example, for more than one tour.

Dr. HERBERT. If I could—

Ms. SANCHEZ. Yes, Doctor.

Dr. HERBERT. Could I respond to that? On this question of whether or not a joint assignment is a good thing, it certainly is for the reasons that my colleagues just mentioned.

Ms. SANCHEZ. For the individual.

Dr. HERBERT. Yes.

Ms. SANCHEZ. But how is it viewed by the service? Maybe is that a cultural problem?

Dr. HERBERT. Yes.

Ms. SANCHEZ. You send somebody off too many times to be integrated with other services or what have you and they are not—the worse is not—

Dr. HERBERT. Yes. I would like to talk to that. The first point that I would make is that the law did that. The law said in 1986, thou shalt not make general or flag officer unless you have been through a joint duty assignment. And, oh, by the way, the Secretary of Defense will decide what assignments count as joint duty assignments. That will not be under the control of the individual services.

That is a very good thing that the law did, and we can critique the system, the way the system is managed and applied and everything else, there is good news, bad news, and we talk about it in our report, but the fact that almost all of your flag officers today have had at least one of these joint duty assignments is a good thing. And if for no other reason than the career promotion value, I think it is widely accepted in the officer corps that to have one of these assignments is a good thing.

Now, there is a second thing that is very much alive in the officer corps, and this is a profound cultural difference from the 1980s and earlier, and that is that officers understand that we have to fight joint. Certainly, General Franks and the officers who are about to command our men and women in the Persian Gulf and Iraq understand the imperatives of joint war fighting as well as any panel of folks like us that is going to come in and talk to you.

Officers will go to relevant joint war fighting assignments, learn a great deal, and that makes them better, and they take professional satisfaction out of it, and it is not by any stretch of the imagination merely careerist ambition that sends them out to a joint assignment. But the other thing that is at work here, and we talk about this in our report, is that the age in which we live is putting tremendous stress on how we define the military profession within each service in general. And this is a matter of interest, not

just for the department but certainly for the Congress and the American people. It is a historical phenomenon.

What services are interested in doing is producing the very best general, officer, commander they can of their service, and they have very demanding career tracks that bring a person from lieutenant or ensign to general or admiral. And it is in their nature not to want to deviate from those career paths very much. And in order to keep a great deal of people interested in pursuing that career, you have to make it apparent that most of us can get through here. What the law does is says you have to make room in those career paths for a certain amount of this joint experience. It is important for these other joint headquarters that are very, very important to joint war fighting. And all of this to and fro over the last 16 years between the Department and the Congress is, in part, a debate about how you reconcile these two competing tensions with the services naturally wanting to keep their people, keep control of their people and keep their people in career paths to the maximum extent possible and the law, on the other hand, saying, no, you cannot have it that way 100 percent. And that is still the issue that is on the table.

I probably gave you more of a answer than you wanted, but I hope that in that answer we reflect as we tried to in the report the tremendous complexity of these issues and of the law. And I guess our concern would be that as the law is updated as it needs to be, one needs to look very, very carefully at the second and third order consequences. The issue being control of getting good officers into joint headquarters needs to be outside the four individual services.

Ms. SANCHEZ. I also had a question for you, Dr. Herbert. You mentioned that the curriculum should change from a 90-day to a full year.

Dr. HERBERT. Yes, ma'am.

Ms. SANCHEZ. Could you elaborate on that as to why and what additional—why such a change? Why would you recommend such a change?

Dr. HERBERT. Yes. I think the first one has to understand is the purpose that the Joint Forces Staff College currently performs. It delivers the second tier of joint education, that part of joint education that qualifies an officer to be a joint specialist, a JSO is the term that we have used.

The first tier is delivered by the officer's service staff college or service war college. For an Army officer at Fort Leavenworth, the Command and General Staff College, or for a naval officer, it would be at Newport. And then if the service decides we want this officer to become a joint specialist, they will send them to Norfolk for a second tier, which the law says must not be more than 90 days—I am sorry, not less than 90 days, and it is exactly 90 days. And that is the school down at Norfolk. So it does that second phase.

There are a great many difficulties with that. The school does a good job with the mission it is given in the law and with the mission it is given by the chairman and the president of the National Defense University, and the officers who go there get a pretty good second level of joint operational education. But here is the difficulty. They go on temporary duty for those 90 days. And what that means is the officer is actually supposed to be in another as-

signment, having graduated from his or her service school but is delayed to attend this school.

The second consequence is, because the capacity of the school is only 300 students, many officers go onto that assignment and then have to come back to the school. The practical effect of that is that having this school creates 90-day absences in all of our joint commands of officers coming back to attend this 90-day school.

We went out to all of the unified commands, and the unified commanders or their representatives unanimously complained about this problem. They said, "When we get an officer here, we want the officer to be here for the full two years."

Ms. SANCHEZ. Right. So he basically gets here and the first thing we do is get him room in the college and off he goes.

Dr. HERBERT. Exactly. And with increasing operating tempo (OPTEMPO) and other turbulence that is in the force, a lot of times officers never come back to the school. They have an increasing empty seat problem and not utilized, and there are other difficulties with the actual integration of the school into the system of professional military schools.

If you made it a one-year school and made it to graduate with everybody else, there are ways that we talk about in the report that you could still do your two tiers of education, but you would eliminate this problem of absenteeism. You would eliminate it for the joint commands. Now, the services still have to find officers to fill those seats and that is never easy in our current environment.

But our report will talk about another reason why we think this is necessary. Joint warfare is a profoundly important historical phenomena. When the law was passed in the 1980s, we thought of joint warfare as happening at unified command levels. It now happens at what we call operational tactics, the very low levels like Operation Enduring Freedom where—

Ms. SANCHEZ. On the battlefield.

Dr. HERBERT [continuing]. Sergeants and lieutenants and captains are involved in this thing. And I think that if you move the Joint Forces Staff College from what it is today, sort of focusing on meeting the numbers of this 90-day school to train officers involved and fill these positions in joint headquarters and focus them on the theory and practice of joint warfare and the future of joint warfare, I think they would provide an even richer educational role, professional military educational role than that perform today. And that is why.

Ms. SANCHEZ. Thank you.

Mr. Stewart—

Mr. STEWART. Yes.

Ms. SANCHEZ [continuing]. Would you care to comment on that recommendation or did you find the same?

Mr. STEWART. Well, we have not had a chance to really evaluate their recommendations. But on the surface, I think we have had some difficulty with that. I am not clear how extending the Joint Forces Staff College from 90 days to a year is going to fix the problem that they identify. I mean instead of the person being gone for 90 days, they are going to be gone for a year. I do not know that that is going to make a unified commander happy either. But we

have not looked at it, so I do not know all the particulars of their recommendation.

I will just note that before Joint Forces Staff College was 90 days, it was six months, and people complained that that was too long. And so then it went to 90 days. I would also add that there is a year-long program at the National Defense University that combines both phases. Now, if we are talking a year at Joint Forces Staff College that combines both phases, then what we have done is we have replicated the National Defense University, and that may be okay.

But, again, I do not know that the department is in a position to say that they need 900 seats at the Joint Forces Staff College plus 300 seats at the National Defense University, 1,200 seats for a year-long program. I do not know if they are in the position to justify 1,200 graduates on a year-long basis for joint JSOs. I do not know. So we would have to look at their proposal in more detail to be more definitive than I have been at this point.

Ms. SANCHEZ. Well, I would say that we are all looking forward to seeing that report, and thank you, gentlemen, for being here today.

Mr. MCHUGH. Mr. Cooper.

Mr. COOPER. I have no questions.

Mr. MCHUGH. Thank you.

Gentlemen, obviously, we have said that we have a task force that is going to be looking at this, and the very provocative findings in your report are going to be very helpful there. Let me just make one final inquiry. Certain things, obviously, you cannot quantify, you cannot study. It has long been my suspicion that part of the challenge here, vis-a-vis the DOD perspective, is that perhaps there is a feeling that they do not have ownership of this initiative, that in point of fact, this is something that was imposed upon them legislatively.

And I do not want to say they are questioning it, and certainly in this current administration they are not questioning the necessity of jointness at all, but I am just saying the way in which we have structured it perhaps has not been totally bought into by them because it did not come from them. And I think that is human nature.

That is a guess on my part. We couldn't study that, but we can look at the numbers, and we know, for example, that the Air Force, statistically, has met the requirements to a far greater extent than the Army, Navy, the Marine Corps.

Were you able to assess that at all? Are there any kinds of findings or deductions we can make as to why perhaps it is working better in the Air Force than perhaps the other services?

Mr. STEWART. Mr. Chairman, in doing our work, we made the same observation. The Air Force almost in every category was ahead of the other services in terms of the numbers of officers that they sent to the Joint Forces Staff College, the number of officers that they sent to joint positions. They led the way in almost every category.

We did not evaluate why that is the case, and I do not know that you ever could. My speculation is that it is just a matter of emphasis. Some services emphasize jointness and joint assignments, joint

education more than others. And the Air Force seems to be the one that is right at the top, given the data, if you look at the data.

Mr. MCHUGH. Well, as I said, that is basically all we have.

Mr. Wilson, Dr. Herbert, anything to add to that?

Mr. WILSON. It is hard to say that one service is more—let me put it this way: We talked to all of the services and we asked them how joint they were, and they all were joint. [Laughter.]

Mr. MCHUGH. As in we are all great members of Congress too.

Mr. WILSON. And they all had plausible reasons on how they approached jointness. The way we fight requires each of the services to play with the other service, and therefore they all have varying degrees of jointness.

If you look at statistics, the numbers that we talk about, for a while, looking at the promotion numbers, the Air Force over the past few years they were doing fairly well. However, I think the operational tempo requirements over the past few years have made some impact on how the Air Force approaches assigning individuals, as they put it, outside the Air Force.

And there have been several articles where the Air Force says, "We need to look at where we assign Air Force outside the Air Force." And I would say that some of the promotion staff the past few boards they have not performed as well as they did a few years ago.

I would tell you that whereas the Navy may be behind in terms of their promotion numbers, they are doing twice as well as they were doing seven years ago. So they are more joint than they used to be. Are they where they would like to be or where we want them to be? Probably not, but the trend line is in the right direction.

The Army and the Marines, the numbers also indicate that if you were to use promotion rates as a measure, for example, of getting jointness or being more joint, the services are more so than they used to be. And I would argue that one of the reasons that contributes to that is the sort of leadership and attention that is paid to that aspect.

And the GAO report, I think, points out this fact, that promotion rates since 1995 for all the services in the joint arena they meet the objectives more often than they did prior to 1995. And I think that the actions of several chairmen, Chairman Powell, Chairman Shalikashvili, paying attention to promotion rates, holding the services to task, saying, "What is happening here? There are requirements in law. You are not meeting it. You need to pay attention to it."

Over several years that changed the focus, and the services have been doing better at promotion rates and using those as a measure of something that you can track, because it is very difficult at present.

One of the questions when asked of the field what is jointness, how joint are you? People will tell you, "We are more joint than we used to be," but they cannot give you a metric. They cannot give you a number that says on a scale of one to ten, because of this, this, this, we are more joint. Folks point to the effectiveness in terms of how Desert Shield, Desert Storm was fought, how we did Operation Anaconda.

The services have different assignment policies. They are different communities and it is very hard to use a metric against one and say, "You are not joint," and go to another service that uses their people a little bit differently and say they are more joint than the other. It is a dilemma that they are in.

And I think that is one of the things that has made it very difficult for the Department of Defense to sit down and say, "okay, let's get our strategic heads around it." But it is something that has to be done if they are to come back and say, "Here is the reason why I need to do this."

If you look at the history of, for example, of initiatives to make certain positions in services joint, they have not been successful, but I think that an argument could be made for certain positions to be. But that has to be done looking at the big picture.

Mr. McHUGH. Yes. You used the phrase, I believe it was, operations tempo (OPSTEMPO)—OPSTEMPO or personnel tempo (PERSTEMPO), which leads me to another thought. When I was in the state legislature in Albany, in my committee room we had a little sign—I do not even know who stuck it up there nor how long it was there, but it was a little saying that read, "When you are up to your butt in alligators it is sometimes hard to remember your original intent was to drain the swamp."

To what extent, if at all, does the current PERS and OPSTEMO really inhibit the ability of each of the services to focus on the requirements? Because they are up to their butts in alligators, in Bosnia, in Kosovo, the Demilitarized Zone (DMZ) in Korea, the Philippines, Colombia, all throughout the Middle East, homeland defense. Does that put any pressure on them? You want to have your general officers and your aspiring general officers out there doing the job of defending the country, wherever that job may be posed.

Mr. STEWART. Mr. Chairman—

Mr. McHUGH. Mr. Stewart.

Mr. STEWART [continuing]. I would like to respond to that. We have thought this about this a lot, and obviously the current operations and the increased number of military operations over the years has definitely put increased demands on all the services. But if you look at the total active duty force, 1.3 million and 1.4 million men and women, and then you look at how many do we have in Kosovo, how many are in Bosnia, how many are in Southwest Asia. I mean when you look at the numbers it is not 1.4 million.

When you look at joint positions, we took the 9,000 joint positions and we broke it down by grade, O-4s, O-5s, O-6s, your flag officers comprise maybe three percent of those positions. So where are these other generals? They are not in joint positions.

So I just wanted to offer that as a balance to say there is a lot going on right now and there a lot of demands on the services and there are a lot of demands for jointness, but not everybody is in a joint position, and we just need to be aware of that to keep the balance.

Mr. McHUGH. Well, you make a good point. There is another perspective to that. Let's take 37,000 in Korea. Well, you have a three-for-one rotation. I mean that is not just 37,000. That is 37,000 coming out of that rotation that obviously have things to do—

Mr. STEWART. That is right.

Mr. MCHUGH [continuing]. Thirty seven thousand on the ground, and 37,000 who are training to go into that operation on the rotation. So you are talking over 100,000 and that is obviously—you are right, the numbers, and I have been there in the not too distant past, and Kosovo and Bosnia have dramatically come down. In fact, most of Bosnia or Kosovo is all being done by guard and reserves. So you are right.

I do not know if either of you gentlemen—

Mr. WILSON. I would say what OPSTEMPO demands is a simpler system. The joint officer management system is a concoction of different rules that are in sometimes opposition to one another. Jointness is going to happen whether or not we are as busy as we are now or ten times as busy. The technology, there are things that are happening out there that are forcing the services to have to integrate their operations, and none of them can do it on their own.

What they need is a simpler, more streamlined system. If you look at some of the rules about how you manage critical occupational skilled officers and whether or not an individual gets joint credit for moving from one area of one building to another area of the building, which is in a different command from the one he is coming from because he is in a dual-hatted situation, North American Aerospace Defense Command (NORAD) and United States Northern Command (NORTHCOM), for example, those rules make it very difficult for the personnel managers to manage the system.

There is a requirement to have people in positions where they are expert at integrating the service capabilities that we wield today in the finest military in the world. That requires experience, that requires training. What they are saying is there has to be a simpler way of doing it.

At the same time, there has to be a way that forces the services to really get outside of themselves. The services will tell you, and the service chiefs will tell you, that when they get up in the morning they have 100,000 person organizations that if Goldwater-Nichols did not exist, those organizations would consume their entire day. They all say we need to keep Goldwater-Nichols. It forces us to do things jointly, it forces us to get outside of our service bubble.

So, yes, OPSTEMPO does play a part in, one, getting people to jobs, getting people to schools, but the unified combatant commands, the tempo at some of the commands are such that they cannot afford to let people go or if you have to be in the cycle when nothing is going on, then you can go to school.

Mr. MCHUGH. I do not know when that will be or when it has been. Well, again, as all three of you gentlemen for the past hour plus, you make some good points there. Because I guess the real conundrum is I menued a good number of places where very important and very dangerous work is ongoing. The challenge is while it may in some ways inhibit your opportunity time-wise to go to get that joint experience, in those theaters you better damn well know how to operate jointly because that is how we are fighting.

Mr. WILSON. One of the things we need to do is give them credit for the joint experience they are getting in those areas right now. And right now there is difficulty in doing that.

Dr. HERBERT. Yes. That is the point I would make. I agree with both my colleagues that OPSTEMPO affects this, particularly when it comes to school. And I will tell you, OPSTEMPO can drive you to penny-wise, pound-foolish solutions in that regard as you try to get the most efficiency out of a system and maybe don't set yourself for the long term. But I think this is why the strategic approach is necessary, this very last point.

Of all these different headquarters we talk about, I believe, and I cannot say this on the basis of research we did for the study because we could only research so many things, but from those things we did look at, there are officers out in some of these places that you refer to who are participating directly in the integrated employment of land, sea and air forces, and they are doing it from a perspective other than their own current service, which is exactly the kind of development experience we want them to have, both to become a flag officer or to be a joint specialist. And yet we are not giving them—the current law does not allow them to be given credit. I cannot say that DOD has not made an effort to change that, but one of the things I would look for in the strategic approach from DOD is to articulate this change and to identify that kind of phenomena as the basis for why some parts of the law need to be changed.

Now, what we say very heroically in our report, and I hope that we are right about this, it is that basing an initiative to update the legislation on that kind of approach might have a certain amount of appeal with the Congress as opposed to taking the approach that this particular metric is difficult to manage and so it ought to go away.

Mr. MCHUGH. Thank you.

Well, gentlemen, as I mentioned before, we have spent a little over an hour on this, and, as I mentioned prior to that, I want to provide Mr. Stewart, who has graciously agreed to stay, the opportunity to present his testimony with respect to support of the guard and reserve for pay and benefits.

So with our thanks, Mr. Wilson, Dr. Herbert, appreciate your effort, and for the third time I will mention, obviously, your work along with the GAO study will be very helpful to us as we approach this, and I hope we are positioned well enough to heed your advice and look forward to perhaps getting back to you at a point when we run into some sticky wickets for further advice. Appreciate it, both you gentlemen.

And, Mr. Stewart, as your colleagues on the previous panel are going home to a warm meal, I hope—

[Laughter.]

Mr. MCHUGH [continuing]. We will give you time to get out your comments.

And as I understand you and John Chapla discussed, you are going to confine your comments to the pay and benefit portion rather than the employer support portion.

Mr. STEWART. Yes, sir. Yes, sir. I am going to condense this considerably and just hit some highlights.

Mr. MCHUGH. Terrific.

Mr. STEWART. Again, we are pleased to be here to discuss reserve personnel issues. Citing the increased use of reserves to support

military operations, Congress directed GAO via mandate to review compensation benefit programs for reservists. Our review is ongoing, so what I am about to tell you is preliminary. We expect that we will have a final report later this year. So these are preliminary findings.

But I would like to address three areas, and they are all related to when a reservist is called up. These areas are income loss, family support services and health care access. Concerning income loss, our preliminary results indicate that reservists in the past have experienced varying degrees of income loss or income gain after being mobilized or deployed.

While income data for current operations Mobile Eagle and Enduring Freedom were not available, DOD's data for past military operations show that 41 percent of reservists reported income loss, 30 percent reported no change in their income, 29 percent reported an increase in their income. So in other words, almost 60 percent of reservists reported that their income either stayed the same or got better during their last deployment.

Income loss was much greater for some groups than others. For example, reservists who were self-employed reported an average loss of \$6,500. Also, physicians in private practice reported an average loss of over \$25,000. Income loss also varied by Reserve component and rank.

For example, average losses range from \$600 for members of the Air National Guard up to \$3,800 for Marine Corps reservists. Senior officers reported an average loss of \$5,000 compared to \$700 for junior enlisted members. About half of all reservists ranked income loss among their most serious problems when they are deployed.

Mr. Chairman, turning now to family support. More than half of all reservists are married and about half have children. According to DOD data, two of the most serious problems reservists said they experienced while activated were the burdens placed on their spouses and the problems created for their children.

When reservists are called up they are generally eligible for the same family support services as active duty members. However, reservists and their families face challenges in understanding and accessing these services.

DOD data further indicates that more than half of all reservists believed that family support services were not available to them. DOD has taken steps that could help to improve awareness and outreach to reservists and their families. We will continue to assess DOD's efforts in this area as we complete our study.

On the issue of health care, despite the availability of DOD health care benefits, many reservists in the past elected to maintain their civilian health care coverage while activated. Nearly 80 percent of reservists reported having civilian health care coverage when they were not on active duty. Of these, about 90 percent maintained it during their past mobilization, primarily to ensure continuity of health benefits and care for their dependents.

Some reservists who dropped their civilian coverage and enrolled in DOD's health care program reported that their dependents experienced a number of problems, including understanding benefits and finding providers of care. DOD, in response to our recommendations, has taken steps to improve health care information

and assistance to reservists. We will continue to assess DOD's efforts in this area as we complete our study as well.

Mr. Chairman, that is a truncated version of my statement. That concludes my statement, and I am prepared to take your questions.

[The prepared statement of Mr. Stewart can be found in the Appendix on page 450.]

Mr. McHUGH. Well, thank you very much. This is an area as well, and it is true for all the four panels we have scheduled, but I was honored to lead a congressional delegation a number of weeks ago throughout several bases in Europe, talking exclusively—well, talking primarily to guard and reserve folks to try to get a handle on these issues.

And you look at the rates of utilization, the average duty days that have befallen the guard and reserves certainly since Gulf War I, one million average duty days a year back then, now it is almost 13 million average duty days, and there is not a relief in site.

These, it seems to me, are the kinds of questions we are going to have to begin to focus on very seriously if we are going to expect to maintain a guard and reserve initiative in this so-called new age seamless military where if you go to these bases, you cannot find—or any kind of activity being done without the very important participation of the guard and reserve. We would better do everything we can to ensure the viability of the program itself.

And the second part of what you were originally prepared to testify on, employer support, is a critical part of that as well. How far do we go before we break that with the OPSTEMPOs and the repeated call-ups, et cetera? And I am not going to ask you to go into a lot of depth here, because it is a work in progress. We wanted very much to get—well, it was two things.

One, you were going to be here anyway, so we saw a great opportunity to begin to put into our thought process and for really the benefit of the subcommittee members and ultimately the full committee the fact that we do need to focus on these, and your study in its finality, particularly, will be very, very helpful, very important in focusing our initiative and helping us to focus in those areas that the guard and reservists particularly identify. And if I had to guess and pick three or four issues that I would have bet that you have probably heard most often, they are indeed—not that it makes me particularly astute, but these are clearly the areas, as your surveys have found, that we heard the most concern about. And I am hopeful we can take your report and help us become perhaps more creative in addressing those issues.

You mentioned health care, for example. As I am sure you know, there was a program initiated in a very short term for income—I said health care—for income protection that just did not work. It was very broadly based, and I suspect there are any number of reasons for that, but even if members, perhaps, could have benefited from it, they did not then. So maybe using your findings, that 40 percent critical mass number, will help us to take a new look at our approach that maybe just focuses on those or at least those likely categories. How do we structure a program that is perhaps less broadly based because it is not as broadly needed as we would have assumed? And hopefully in that effort make it somehow more attractive to those.

Mr. STEWART. Yes, sir.

Mr. McHUGH. So that would be helpful.

And similarly, on health care. I am not sure why it is absolutely necessary to not require but make the single path for health care coverage you have to go under TRICARE Prime. You mentioned continuity. Stay with the devil you are with. Every year when I sign up for my federal health insurance, I pick last year's choice just because I know what the heck it is. I think I know what the heck it is. I may find out differently.

And I am sure that is the way these families, particularly with some of the short-term, short-notice call-ups. Why go through that? Well, maybe there are some things we can do in those areas where it would be useful to help them, rather than going to TRICARE help them stay where they are, given their new income limit.

So that is just kind of put on the record for our future deliberations. I do not know if Mr. Cooper may have some specific questions.

Mr. STEWART. Mr. Chairman, may I just—

Mr. McHUGH. Oh, absolutely. Please.

Mr. STEWART [continuing]. Very quickly, I think you are right on with the income protection. The large mobilization insurance program that was instituted back after the Gulf War, it did not work because it was too broad and the people most at risk were the ones who signed up. But we do have the data which suggests that there are certain groups who suffer more than others.

The Army, for example, after doing a number of studies, identified medical practitioners as a real problem. They are losing their thoracic surgeons and medical people that they just really need. So the Army is exploring an option of some special pay for medical types. Not all medical people but certain specialties within the medical field.

I think some targeted approach may be more the answer than some global let's just pay everybody more money because there is income loss. As I noted in my statement, 60 percent of reservists, at least for data that pre-dates the current operations, indicated that they either stayed the same or got better. It is the 41 percent that we have to be concerned about, and then we have to dissect that to see what makes up that 41 percent and maybe target some approach to help those people. But I just wanted to say that I agree with your comment on it, on maybe a more targeted approach.

Mr. McHUGH. Well, good. Well, I appreciate that. I need all the agreeing and validity I can get, trust me. We will certainly look with great anticipation toward the completion of your ongoing analysis.

Mr. STEWART. Yes, sir.

Mr. McHUGH. Mr. Cooper, I will go back to you, sir.

Mr. COOPER. Thank you, Mr. Chairman. Did I not see somewhere in the GAO report at least a reference to an earlier RAND study that indicated that income changes had not been a factor in having 99 percent readiness or 99 percent—

Mr. STEWART. Yes, sir. I think we mentioned that there was a 1998 RAND study that showed that for—and this addressed, I think, just the enlisted members, that while income loss was experienced, I believe it was, for the Gulf War, it did not affect reten-

tion. But we should watch closely the retention rates based on what is going on now.

I think, as the chairman noted when he was out talking to the guard and the reserves, people are beginning—especially certain specialties, I mean your security people, your intel civil affairs, psychological operations, there are certain units, certain specialties that are being deployed over and over and over and over, and we need to watch the retention rates in those specialties for sure, because I think we may start seeing a decline in the retention rates there. But that is right, the RAND study said that there was no noticeable difference based on income loss. That was for enlisted members.

Mr. COOPER. I hate to borrow trouble but this might be one of those problems that is not a problem today but could be a problem and we need to be very alert to the warning signs. Tell me about the student component of this. About how many reservists are students and what obstacles do they face?

Mr. STEWART. There is a federal statute, as you know, that protects civilian reservists and guarantees their right to return to employment and the pick-up to health insurance and et cetera. There is no analogous federal statute for students, and we have actually talked to some of these people. If a student is in medical school or in a college or university and he is mid-semester and he is paid his tuition and fees and room and board, yes, sir, and he gets called up, he loses all of that.

Now, at the time we did our study, there were only three states with statutes that protected students' rights in some way. I am pleased to report that today there are 15—there are 12 additional states that have statutes. But there is a problem there. We have determined that between 25 and 30 percent of all reservists are students. And so they do make up a fairly large part of the total reservist population, and there be some—it seems that there should be some attention paid to their situation.

We actually recommended in our report, that we issued I believe it was June of last year, that the National Committee for the Employer Support for the guard and reserve, commonly referred to as ESGR, that they, in addition to working with employers, that they also try to work with colleges and universities to help students that have experienced problems when they were called up.

Mr. COOPER. Mr. Chairman, why don't we pass a federal law? This affects one-quarter of our guard and reserve.

Mr. MCHUGH. Well, one of the reasons we wanted this looked at is for the very points that, Mr. Cooper, you have suggested. However, as happens in Washington, were it you and I we would have no difficulty. We have a jurisdictional problem of legislative authority over this issue with the Education and Workforce Committee that we hopefully can work through with them.

Without getting critical of my dear friend, Mr. Boehner, the chairman, that is their prerogative. I can tell you my guess is they are going to be doing something this year. They have both a majority and a minority proposal, and we are optimistic, and hopefully this study, to the extent it can be instructive for them and motivate the further, will indeed be made available to them in that regard. That is not to say we do not have some jurisdiction, we indeed do,

but it becomes somewhat problematic. Just in case you thought it was going to be easy. [Laughter.]

Mr. MCHUGH. Because it does, I mean it makes a lot of sense. Really, it is very unfair, particularly with the cost of tuition these days.

Mr. COOPER. Help me understand another situation. Assuming that you had, through your private employer or otherwise, life insurance, is that void in war circumstances?

Mr. STEWART. I think the answer is no. I think there is the Sailor-Soldiers Relief Act has a number of requirements in it that your debt can be reduced to six percent on your loans, that that not exceed six percent. I think another element of that law is that your life insurance cannot be canceled. I think that is right. I will double check that, but I think that is right.

Mr. MCHUGH. If the gentleman yield. Were you speaking of cancellation or coverage?

Mr. COOPER. Coverage.

Mr. STEWART. Oh.

Mr. MCHUGH. No. It does not cover it. But that, in theory, and you can certainly discuss the benefit levels of one versus the other, that is my understanding. I used to be in insurance and I guarantee you every policy I ever sold—and there may be an escape provision, the gentleman raised a good point; we ought to take a look at Soldiers-Sailors Relief Act for that—would make death as act of war null and void. But the cancellation protection is there.

Mr. COOPER. It would be a shame if you paid your premiums your whole life, you get called up as a reservist or guardsmen and then your insurance does not work through no fault of your own.

How about disability coverage, private disability coverage? All too few Americans have that. So would that be voided in war?

Mr. STEWART. I would have to take your question and research that. We have not looked at that, but that is a good issue, disability coverage. We will add that to our study.

Mr. COOPER. I have no more questions, Mr. Chairman.

Mr. MCHUGH. The gentleman raised some good points, and I am not sure we can compel private companies to provide coverage in a war theater but it certainly merits looking at as to if we are going to talk about income protection, that is the area of private insurance coverages, be it disability or life. Although you would not lose your policy when you got back, life insurance is a gamble, and if you are going to get killed, I guess you would hate to have your family miss out on the benefits that you paid over time, although you are provided, of course, with military coverage, which generally would not come up to the level of benefits of a private policy.

Mr. COOPER. Mr. Chairman, so many casualties occur not necessarily in battle but in shipments overseas, accidents—

Mr. MCHUGH. True.

Mr. COOPER [continuing]. Even in an administrative situation.

Mr. MCHUGH. Well, I saw Mr. Stewart writing it down, so unless he is a member of Congress he means to follow up. We do that a lot. [Laughter.]

It does not mean anything, but I trust he will, and we will certainly look at that further. And I appreciate the gentleman.

Mr. Stewart, we are going to let you back to work. You have a few hours before it is midnight, so you are still on the clock with your company, the GAO. But, sincerely, I have had great experiences with GAO and other chairs I have held in the Postal Service and such, and it is certainly no exception the assistance that you personally have provided and the General Accounting Office itself on this initiative but on so many others. You do great work and we deeply appreciate it. Your input, I hope, certainly should make our output a lot better and that is why we call upon you so often.

Mr. STEWART. Well, thank you, Mr. Chairman; it is our pleasure. And I would just like to take a quick second and give credit to—

Mr. MCHUGH. Please do.

Mr. STEWART. this great team sitting behind me.

Mr. MCHUGH. Please do. They are the only ones still here. [Laughter.]

Mr. STEWART. It is a great team. And we are all working hard to do this right, because we think this is very, very important. So thank you.

Mr. MCHUGH. Well, I tell you, the GAO reports we receive come with the imprimatur of accuracy, and that is a pretty hard reputation to gain in this town and particularly to maintain, so I know you all work collectively together and do a terrific job. So thank you so much.

Mr. STEWART. Thank you, sir.

Mr. MCHUGH. And just because we are on camera here, I will say the hearing is adjourned.

[Whereupon, at 6:40 p.m., the subcommittee was adjourned.]

A P P E N D I X

MARCH 19, 2003



PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 19, 2003



**STATEMENT OF THE
HONORABLE LORETTA SANCHEZ
HOUSE ARMED SERVICES COMMITTEE
SUBCOMMITTEE ON TOTAL FORCE**

PERSPECTIVES ON ISSUES

**DEFENSE TASK FORCE ON DOMESTIC VIOLENCE, JOINT OFFICER
MANAGEMENT, EMPLOYER SUPPORT OF GUARD AND
RESERVES, AND RESERVE COMPENSATION COMPARABILITY**

MARCH 19, 2003

Thank you, Mr. Chairman. I understand that Dr. Snyder is supposed to return today, and may be able to join us for a short period, but he is still recuperating from surgery. I know we all look forward to his full recovery and return to this subcommittee.

Mr. Chairman, I am pleased to be here today. The issues that we will raise at today's hearing touch on a number of important issues this subcommittee has been examining—domestic violence in the military, joint officer management, support for the Guard and Reserve, and reserve compensation.

I am pleased that co-chairs of the Defense Task Force on Domestic Violence are able to be here with us--Deborah D. Tucker, the Executive Director of the National Training Center on Domestic and Sexual Violence, and Lieutenant General Garry Parks, Deputy Commandant for Manpower and Reserve Affairs. I also would like to welcome, Mr. Charles Abell, Principal Deputy Under Secretary of Defense for Personnel and Readiness.

The murders and suicides that occurred last year at Fort Bragg, North Carolina were another tragic reminder that domestic violence is not just a

societal problem; it is problem that directly impacts the military readiness of our troops and their families. As the subcommittee undertook its multi-service investigation of domestic violence last year, the Defense Task Force on Domestic Violence had issued two previous reports, which included over 150 recommendations of which the Department had implemented only 14. The Department's delay in implementing a majority of the recommendations was due to the pending release of the third and final report. The Task Force recently issued its final report, and I hope that the Department will be able to layout a strategic plan on how they will implement these recommendations.

I also look forward to hearing from our three other panels—Derek Stewart from the General Accounting Office, who will speak on Joint Office Management and Joint Professional Military Education, as well as employer support of the Guard and Reserves. Joining Derek on the panel for joint officer management and professional military education will be Paul Herbert and Stu Wilson from Booz Allen Hamilton. Booz Allen is conducting an independent review of Joint Officer Management and Joint Professional Military Education. The fourth and final panel will include Jennifer Buck, Deputy Assistant Secretary of Defense for Reserve Affairs (Resources) and Lieutenant General James Cartwright, Director of Force Structure Resources and Assessments (J8), The Joint Staff, who will speak to the active and reserve component force mix.

The independent review was mandated by the Congress to help understand how and why the system of joint officer management and joint professional military education should change to meet future needs of the armed forces. While both the GAO and Booze Allen Hamilton studies are addressing many similar and different aspects of the matter, I did note a

common finding of the need for the development of a strategic plan that would precede any change in the legislation.

With respect to the Guard and Reserves, this past January, Chairman McHugh led a bi-partisan delegation that meet with over 200 Guard and reservists who had been mobilized to support activities in the European Command. The delegation found that reliance on the reserve component has steadily been increasing over the past decade, and is expected to continue to climb in the foreseeable future. The ability for the Guard and Reserves to support this growing demand has put additional pressure on our reservists, their families and employers.

Many employers have voluntarily stepped forward to provide additional support to their Guard and reserves, including continuing health care coverage for their families and supplementing an employee's military pay. However, many reservists indicated that while their employers were supportive of their participation in the reserves that support is eroding with the multiple involuntary mobilizations. Several reservists indicated that being a reservist was a problem with some employers, and a few felt that they had to omit their reserve affiliation to be competitive for employment.

Nearly 200,000 Guard and reserves are currently on active duty. Continued employer support for Guard and Reserves is imperative to ensure that reservists will not have to chose between service to the nation or losing a job.

Employer support is just one of the many factors that affect reserve participation. Fair compensation and utilization are other important components that have an impact on recruitment and retention of Guard and reserve personnel. As dependence on the Guard and reserves increase, so too have concerns regarding the adequacy of compensation and benefits,

along with whether we are correctly employing our reserve and Guard. Last year, this committee directed the Comptroller General to review current compensation and benefit programs to determine if they needed to be improved and whether the compensation was fair compared to those on active duty. I am looking forward to hearing from the General Accounting Office the status of their review.

Mr. Chairman, I want to thank our witnesses for coming today. It is vital that we work together to ensure we continue to have the best-trained, best-equipped Armed Forces in the future, and I look forward to learning more about the Department's proposals to transform our military personnel programs to meet the current and future challenges of the 21st century.

Thank you, Mr. Chairman.

NOT FOR PUBLICATION UNTIL
RELEASED BY THE HOUSE
COMMITTEE ON ARMED SERVICES

STATEMENT OF
LIEUTENANT GENERAL GARRY L. PARKS
AND
MS. DEBORAH D. TUCKER
CO-CHAIRS
OF
THE DEFENSE TASK FORCE ON DOMESTIC VIOLENCE
BEFORE THE
TOTAL FORCE SUBCOMMITTEE
OF THE
HOUSE ARMED SERVICES COMMITTEE
ON
19 MARCH 2003
CONCERNING
DOMESTIC VIOLENCE

NOT FOR PUBLICATION UNTIL
RELEASED BY THE HOUSE
COMMITTEE ON ARMED SERVICES

Chairman McHugh, Congressman Snyder, and members of the Subcommittee:

We are honored to appear before you today to provide an overview of the findings of the Defense Task Force on Domestic Violence (DTFDV).

INTRODUCTION

In an effort to assist the Department of Defense (DoD) in preventing domestic violence in the military whenever possible and responding more effectively when it does occur, Congress, in the National Defense Authorization Act for Fiscal Year 2000, Public Law 106-65, Section 591, required the Secretary of Defense to establish the DTFDV.

The overall goal of the Task Force was to provide the Secretary of Defense with recommendations that will be useful in enhancing existing programs for preventing and responding to domestic violence, and, where appropriate, to suggest new approaches to addressing the issue. In accomplishing its goal, the Task Force envisioned reframing the DoD's Family Advocacy Programs and the entire military community response to domestic violence into a model for America.

In fulfilling the Congressional mandate, the Task Force looked at the entire spectrum of domestic violence issues and the roles and responses of command, law enforcement, advocates, legal, medical, chaplains, counselors, and social workers in intervening and preventing domestic violence.

The Task Force believes that domestic violence is best dealt with by having a consistent, coordinated community response. This approach clearly communicates to potential offenders, as well as to those who have already offended, that domestic violence is simply unacceptable, will not be tolerated, and that there are consequences for such behavior. This consistent, coordinated approach seems to fit perfectly into the military community. In order to be most effective, however, every element of the response system, from law enforcement to medical to the command, must be "singing off the same sheet of music." It is important for everyone associated with the military to know what domestic violence is, its dynamics and risk factors, effects on victims or children who witness domestic violence, and consequences for offenders.

Over three years, the Task Force visited military installations throughout the world and met with numerous victims, offenders, commanders, first responders, and service providers. The cooperation of those at installations and in the surrounding communities willing to share their experiences, critical thinking, and ideas for improvements was essential to inform our research and recommendations. The depth of our understanding and service to the Department would not have been possible without the exemplary support of the staff assigned to work with us, to facilitate these installation visits and our intense deliberations. In addition to our site visits, the Task Force met 15 times to process information, resolve issues, and come to agreement regarding recommendations for the Secretary of Defense. The staff's support made it possible for the recommendations, and the substance behind them, to be effectively communicated to the Secretary, with you and others in Congress, and with the concerned public through our reports. The result is a recent snapshot of how well domestic violence policy is being executed throughout DoD's many commands and installations.

KEY ELEMENTS TO PROPOSED DOD STRATEGIC PLAN

In its three annual reports, the DTFDV made some 200 specific recommendations. In its responses to the first two reports, the DoD agreed with the vast majority of our recommendations for improvement, and we have no reason to believe the Department's response to our final report will be significantly different. While all of the Task Force's recommendations are valid and each will result in improvement of DoD's prevention of and/or response to domestic violence, there are nine points that we believe are key elements to the proposed DoD Strategic Plan for addressing domestic violence. If implemented by the DoD as recommended by the Task Force, these key points will have the most lasting, significant, and positive effect on the prevention of and response to domestic violence in the military. While we believe that all these key points are equally important, first and foremost, the Department of Defense should...

- **Demand a culture shift that...**
 - **Does not tolerate domestic violence;**
 - **Moves from victims holding offenders accountable to the system holding offenders accountable; and,**
 - **Punishes criminal behavior.**

The remaining eight recommendations support such a culture shift:

- **Establish a Victim Advocate Program with provisions for confidentiality to enhance victim safety and provide a well-defined, distinct program where victims can**

receive the advocacy, support, information, options, and resources necessary to address the violence in their lives without a requirement for mandatory reporting.

- **Implement the proposed Domestic Violence Intervention Process Model with the following protocols:** (1) Victim Advocate Protocol, (2) Commanding Officer's Protocol/Guidelines, (3) Law Enforcement Protocol, and (4) Offender Intervention Protocol. The Intervention Process Model and the amplifying protocols provide both a graphic and narrative description of the recommended intervention process with specific guidance for key components of the system when responding to domestic violence. Additional protocols are recommended for other professionals who play a role in intervention and prevention.
- **Separate abuse substantiation decisions from clinical decisions** to enhance victim safety and support the commander/commanding officer in ensuring offender accountability and intervention.
- **Enhance system and command accountability and include a fatality review process** as one on-going mechanism for identifying policy and system deficiencies with a goal of increasing accountability throughout the system, reducing domestic violence, and preventing future fatalities.
- **Implement DoD-wide training and prevention programs** that encompass not only general awareness training, but also include specific training for commanding officers

and senior noncommissioned officers, law enforcement personnel, healthcare personnel, and chaplains.

- **Hold offenders accountable** in keeping with the Deputy Secretary of Defense November 19, 2001 memorandum that highlighted the non-tolerance of domestic violence and challenged the Military Departments and commanding officers to intensify their efforts to prevent domestic violence.
- **Strengthen local military and civilian community collaboration** in preventing and responding to domestic violence.
- **Evaluate results of domestic violence prevention and intervention efforts.**

CORE PRINCIPLES

These recommendations are grounded in the following core principles of domestic violence intervention. The core principles are founded on the precept that we must make every possible effort to establish effective programs to prevent domestic violence in the military. This is tantamount to enhancing mission and family readiness. However, if domestic violence does occur, the DoD has a duty to protect the victims and take appropriate action to hold offenders accountable. To ensure the maximum effectiveness of the Department's response to domestic violence, all intervention programs should adhere to the following core principles:

- **Respond to the needs of victims and provide for their safety.** Ensure that the stated needs of victims are fully considered. Safe housing, safety planning, and free, confidential advocacy services are essential, but not all inclusive. Recognize potential victim safety consequences when confronting the offender, validate victim input, encourage victim autonomy, and support the victim's relationship with her/his children.
- **Hold offenders accountable.** Ensure that the institution, not the victim, is responsible for holding the offender accountable. Where possible and appropriate, the focus should be on changing the behavior of the offender to prevent future acts of domestic violence. However, offenders must be held accountable for all criminal conduct through punishment, deterrence, and when possible, rehabilitation. Monitor and supervise offenders to ensure compliance and progress during any intervention program.
- **Consider multi-cultural and cross-cultural factors.** Ensure development of policies and practices that are sensitive and attuned to the backgrounds and needs of both victims and offenders in terms of economic, cultural, ethnic, religious, immigrant status, and other related circumstances. Policies and practices should be reviewed and monitored by community members from the diverse cultures being served.

- **Consider the context of the violence and provide a measured response.** Ensure that the victim's need for protection from further harm and the need to hold the offender accountable determine the intensity and direction of the command response to domestic violence.
- **Coordinate military and civilian response.** Ensure a cooperative relationship between military and civilian organizations. Synchronize procedures to ensure a coordinated community response between the military and civilian communities.
- **Involve victims in monitoring domestic violence services.** Ensure the establishment of mechanisms for monitoring intervention policies and procedures that include input from victims, advocates, and community members in order to evaluate program effectiveness. Monitoring should include development of specific, focused measures of accountability and effectiveness as well as leveraging existing inspection programs.
- **Provide early intervention.** Ensure early intervention and utilize all available resources.

IMPLEMENTING RECOMMENDATIONS

There are two overall recommendations that we think will help ensure success as the DoD now proceeds to implement our recommendations:

- The first recommendation addresses resources. Many of the recommendations contained in the DTFDV three annual reports have resource implications. The Task Force has not attempted to quantify the resources necessary to support these recommendations, nor was it in our charter to do so. The realities and limitations attendant to the DoD budget process (especially in terms of family support programs) make any significant "top line" increase to support these programs unlikely at the present time. Thus, the challenge for the DoD in deciding how to fund the implementation of many of our recommendations will be to decide how to reallocate funds currently available for domestic violence prevention and intervention programs. Therefore, we recommend that the DoD, in conjunction with the Military Services, and in collaboration with other governmental agencies that provide domestic violence research and intervention and prevention services to DoD personnel and their families:

- o Identify all funds allocated for DoD domestic violence prevention and intervention programs and initiatives (to include research, studies, grants, etc.); and,
- o Develop a prioritization and budget distribution (re-distribution) of all resources that are or could be dedicated to domestic violence prevention and intervention programs to ensure that funds are allocated in a manner that most effectively supports implementation of the recommendations of the DTFDV.

- The second recommendation addresses accountability. Members of the Task Force were encouraged by the passage of Section 8148 (c) of the Department of Defense

Appropriations Act for Fiscal Year 2003, P.L. 107-248, which requires that "Not later than June 30, 2003, the Secretary of Defense shall submit to the Congress a report on the implementation of the recommendations included in the reports submitted to the Secretary of Defense by the Defense Task Force on Domestic Violence."

Recognizing that the implementation of our recommendations will still be very much a work in progress on June 30th of this year, recommend that the DoD:

- o Within two years of receiving this final report, convene a small, independent group with a composition similar to the DTFDV to review, assess, and report implementation progress to the Secretary of Defense. We believe that such a group would be most effective if it were composed of a blend of original Task Force members and new members who were not part of the original DTFDV process to provide a fresh perspective.

In the Executive Summary of our Third Report we highlight issues that will require the Department's thoughtful consideration as it hastens the arduous effort to respond to all of our recommendations. We ask that you carefully review as well our discussions of multi-culturalism and cross-culturalism, children and domestic violence, and sexual violence and the trafficking of women as they relate to designing a more effective response to domestic violence in the military.

CONCLUSION

As we complete our work as members of the Defense Task Force on Domestic Violence, we stand in awe of the tremendous trust and responsibility placed in our young men and women

in the military by our Nation's leaders. The freedoms we enjoy in this country today rest, in large part, on the sacrifices made by the members of our military since the founding of the United States. Suffice it to say that we will owe our continued freedom largely due to the efforts and sacrifices of the men and women in uniform today and their families, and to those who will come after them. Expecting nothing short of complete dedication from our military men and women and their family members, the DoD can and must dedicate itself to providing the best possible policies, practices, and procedures to address and prevent domestic violence in the military. We believe our proposed Strategic Plan and the almost 200 specific recommendations that give it substance offer the best course of action for the DoD to follow in developing a domestic violence prevention and response system that will not only improve the lives of our service members and their families, but will stand as a shining example for all segments of American society to emulate.

It is often said that the conclusion of any endeavor simply marks the beginning of another. We believe that this is entirely true in this case. As we conclude our research and recommendations, we pledge our continued support to the Department of Defense as it begins the challenging and most worthwhile task of implementing our recommendations. The members of the Task Force stand ready to assist the Secretary of Defense and the Department to achieve a lasting, significant, and positive effect of the prevention of and response to domestic violence in the military.

Prepared Statement
of
The Honorable Charles S. Abell
Principal Deputy Under Secretary of Defense
(Personnel and Readiness)
Before the Total Force Subcommittee
House Armed Services Committee
March 19, 2003

Not for publication until released by the subcommittee

Mr. Chairman and Members of the Committee, thank you for this opportunity to address you concerning the results of the Defense Task Force on Domestic Violence. As a result of Congressional concern for victims of domestic violence in the Department of Defense, the National Defense Authorization Act of 2000 established the Defense Task Force on Domestic Violence to review and make recommendations regarding the Department's response to domestic violence. Today, you will hear about the work of the Task Force from General Garry Parks and Ms. Debby Tucker, both co-chairs of the Task Force. Allow me to take advantage of this opportunity to thank both General Parks and Ms. Tucker for their service. Their commitment to the mission of the Task Force and their outstanding leadership resulted in a comprehensive set of recommendations focused on strengthening the Department's response to domestic violence. This committee's interest in holding hearings to discuss the work of the Task Force is reflective of your support for our efforts to address domestic violence and for that we are thankful. As you know, your support is crucial to our success.

We are committed to strengthening our response to domestic violence and have already taken action with respect to several key Task Force recommendations. For example, in November 2001, the Deputy Secretary of Defense issued a memorandum stating domestic violence will not be tolerated in the Department of Defense. Following issuance of this memorandum, each Service issued its own implementing memorandum. Consistent messages such as these from senior DoD and Service leadership stating domestic violence will not be tolerated, that victim safety is paramount, and offenders will be held accountable will help us create a culture shift that does not tolerate domestic violence.

In November 2002, the Department issued final guidance establishing DoD policy for military and civilian personnel implementing the domestic violence amendment to the Gun Control Act of 1968. As you know, this legislation, widely known as the Lautenberg amendment, makes it a felony for any person to sell or otherwise dispose of firearms or ammunition to any person whom he or she knows or has reasonable cause to believe has been convicted of a misdemeanor crime of domestic violence.

In January of this year, before the Task Force had even completed its work, the Department established a team to implement additional Task Force recommendations. Also in January of this year, the Department developed a plan of action for joint initiatives with the Department of Justice to include joint training in the areas of law enforcement, fatality review, victim advocacy and clergy. As a result of this partnership, and with the support of the Task Force, the first joint law enforcement training was conducted at Fort Bragg earlier this month by the National Center for State and Local Law Enforcement Training, a division of the Department of Justice Federal Law Enforcement Training Center. This training will be repeated around the country so that mobile training teams can be established to proliferate these best practices throughout DoD. The results of this training will be that law enforcement personnel from all Services receive state-of-the-art training on responding to and investigating incidents of domestic violence. Recently, a 24/7 toll free number for family assistance has begun implementation to also help victims determine a safe plan of action. It further supports many victims' need for confidentiality. This assistance should be available DoD wide, even overseas, within the next two years. Additionally, the Department has been working closely with the National Domestic Violence Hotline providing training to the Hotline's

staff to prepare them to respond to callers associated with the military. This partnership will expand the availability of Hotline services to military installations worldwide.

Finally, the Department supports the implementation of several additional key Task Force recommendations including confidentiality for victims of domestic violence; protocols to assist commanding officers, law enforcement and victim advocates to intervene effectively; a fatality review process; and domestic violence education and training programs. With respect to the issue of confidentiality, we are developing a policy whereby victims of domestic violence can seek assistance from a victim advocate and for these communications to remain confidential except under certain circumstances. This particular policy will enhance victim safety, assure victim autonomy, and enable victims to seek assistance early without fear of damaging a Service member's career. Victim safety and autonomy are our key concerns as we address domestic violence in DoD.

The tragic events in the Fort Bragg community brought renewed focus on the issue of domestic violence. We must set a mood and tone of leadership that sends a clear message: first, that domestic violence is incompatible with military service and second, that it is right and safe for a victim to come forward as the first step to stopping a case of domestic violence.

In an age of increased deployments, new attention is being given to the critical area of reunion. Each Service is examining the manner in which it conducts its reunions on an individual and unit basis. We will look to be a catalyst for the sharing of best practices in this regard.

The steps we have taken and the steps we plan to take reflect our strong commitment to address domestic violence. The gradual introduction of these and other policy initiatives will form the foundation for a culture shift that clearly conveys domestic violence will not be tolerated in DoD.

The steps we have taken and the steps we plan to take reflect our strong commitment to address domestic violence. The gradual introduction of these and other policy initiatives will form the foundation for a culture shift that clearly conveys domestic violence will not be tolerated in DoD.

The third and final Task Force report was provided to DoD on March 10, 2003. As with previous reports, I anticipate the Department will agree with the vast majority of Task Force recommendations. Many of the recommendations contained in the final report are follow-on recommendations from previous reports with which the Department has already concurred.

While I believe many of the recommendations will be completed this year, some recommendations require further study. For example, I am confident that policies to which I previously referred such as the confidentiality, protocols for victim advocates, commanding officers and law enforcement, fatality review and training and education will be implemented this year. Other policies such as those with funding implications or those that may impact military and civilian personnel policies may not be completed until 2004-2005.

Thank you again for scheduling this hearing and I look forward to answering your questions.

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Total Force,
Committee on Armed Services, House of
Representatives

For Release on Delivery
Expected at 2:00 p.m. 3 m EST
Wednesday March 19, 2003

MILITARY PERSONNEL

A Strategic Approach Is
Needed to Improve Joint
Officer Development

Statement of Derek B. Stewart, Director, Defense
Capabilities and Management



GAO-03-548T

March 19, 2003

GAO Highlights

Highlights of GAO-03-548T, a testimony before the Subcommittee on Total Force, Committee on Armed Services, House of Representatives

MILITARY PERSONNEL

A Strategic Approach Is Needed to Improve Joint Officer Development

Why GAO Did This Study

The Department of Defense (DOD) has increasingly engaged in multiservice and multinational operations. Congress enacted the Goldwater-Nichols Department of Defense Reorganization Act of 1986, in part, so that DOD's military leaders would be better prepared to plan, support, and conduct joint operations. GAO assessed DOD actions to implement provisions in the law that address the development of officers in joint matters and evaluated impediments affecting DOD's ability to fully respond to the provisions in the act.

What GAO Recommends

GAO is not making new recommendations in this testimony. However, GAO did recommend, in a report that it issued in December 2002 (GAO-03-238), that the Under Secretary of Defense for Personnel and Readiness develop a strategic plan that links joint officer development to DOD's overall mission and goals. DOD concurred with the recommendation.

What GAO Found

DOD has not taken a strategic approach to develop officers in joint matters. It has not identified how many joint specialty officers it needs, and it has not yet, within a total force concept, fully addressed how it will provide joint officer development to reserve officers who are serving in joint organizations - despite the fact that no significant operation can be conducted without reserve involvement.

As of fiscal year 2001, DOD has promoted more officers with previous joint experience to the general and flag officer pay grades than it did in fiscal year 1995. However, in fiscal year 2001, DOD still relied on allowable waivers in lieu of joint experience to promote one in four officers to these senior pay grades. (See figure below.) Furthermore, DOD is still not fully meeting provisions to promote mid-grade officers who are serving or who have served in joint positions at rates not less than the promotion rates of their peers who have not served in joint positions. Between fiscal years 1995 and 2001, DOD met more than 90 percent of its promotion goals for officers who served on the Joint Staff, almost 75 percent of its promotion goals for joint specialty officers, and just over 70 percent of its promotion goals for all other officers who served in joint positions.

DOD has met provisions in the act that require it to develop officers in joint matters through education by establishing a two phased joint professional military education program. The act, however, did not establish specific numerical requirements, and DOD has also not determined the number of officers who should complete the joint education. In fiscal year 2001, only one third of the officers who were serving in joint organizations had completed both phases of the education. DOD has also increasingly relied on allowable waivers and has not filled all of its critical joint duty positions with officers who hold a joint specialty designation. This number reached an all time high in fiscal year 2001 when DOD did not fill 311, or more than one-third, of its 808 critical joint duty positions with joint specialty officers.

Percentage of Officers Promoted to General or Flag Rank with Joint Experience between Fiscal Years 1995 and 2001



Source: DOD.

www.gao.gov/cgi-bin/gettrpt?GAO-03-548T.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Derek B. Stewart at (202) 512-3144, or stewartd@gao.gov.

United States General Accounting Office

Chairman McHugh and Members of the Subcommittee,

Thank you for the opportunity to appear before this Subcommittee to discuss the implementation of legislative provisions addressing joint officer development that are contained in the Goldwater-Nichols Department of Defense Reorganization Act of 1986.¹ Prior to 1986, the Department of Defense (DOD) primarily operated under a culture in which the four military services educated their officers in service-specific matters, assigned their most talented officers to key service positions, and promoted them to leadership positions within their own service. This arrangement served DOD well when military operations fell primarily within the capabilities of one of the military branches. Given that DOD was increasingly moving toward engaging in joint – multiservice and multinational – operations, however, Congress recognized that cultural change was needed to move DOD away from its service parochialisms toward interservice cooperation and coordination. Congress also believed that DOD needed to better prepare its military leaders to plan, support, and conduct joint operations.

Toward that end, Mr. Chairman, the act has been hailed as landmark legislation, given the significance of the cultural change that it was designed to achieve, and DOD has, in fact, subsequently issued joint vision statements that anticipate an armed force that will be “fully joint: intellectually, operationally, organizationally, doctrinally, and technically.”² During the 16 years since the act’s passage, however, DOD has repeatedly sought legislative relief from the act’s provisions that address the development of officers in joint matters and, although it has complied with many of these provisions, it is still experiencing difficulties in implementing some of its joint officer development programs and policies.

Mr. Chairman, in our recently issued report to you on joint officer development, we recommended that DOD develop a strategic plan that will link joint officer development to DOD’s overall mission and goals.³ My statement today will address (1) the need for DOD to develop this strategic plan, (2) the successes and limitations that DOD has experienced

¹ Pub. L. 96-433, Oct. 1, 1986.

² Department of Defense, *Joint Vision 2010 and Joint Vision 2020*, Washington, D.C.

³ U.S. General Accounting Office, *Military Personnel: Joint Officer Development Has Improved, but a Strategic Approach Is Needed*, GAO-03-238 (Washington, D.C. Dec. 19, 2002).

in promoting officers who have previous joint experience, and (3) the challenges DOD has experienced in educating its officers in joint matters and then filling key positions with officers who have the requisite joint education and experience.

Summary

A significant impediment affecting DOD's ability to fully realize the cultural change that was envisioned by the act is the fact that DOD has not taken a strategic approach to develop officers in joint matters. For example, DOD has not identified how many joint specialty officers it needs and, at the time of our review, DOD had not yet, within a total force concept, fully addressed how it will provide joint officer development to reserve officers who are serving in joint organizations – despite the fact that no significant operation can be conducted without reserve involvement. In addition, the four services have emphasized joint officer development to varying degrees.

As of fiscal year 2001, DOD has, in response to the requirements of the act, promoted more officers with previous joint experience to the general and flag officer pay grades than it did in fiscal year 1995. However, in fiscal year 2001, DOD still relied on allowable waivers in lieu of joint experience to promote one in four officers to these senior pay grades. Furthermore, DOD has made progress, but it is still not fully meeting provisions to promote mid-grade officers (majors, lieutenant colonels, and colonels in the Air Force, Army, and Marine Corps and lieutenant commanders, commanders, and captains in the Navy) who are serving or who have served in joint positions at rates not less than the promotion rates of their peers who have not served in joint positions. Between fiscal years 1995 and 2001, DOD met more than 90 percent of its promotion goals for officers who served on the Joint Staff, almost 75 percent of its promotion goals for joint specialty officers, and just over 70 percent of its promotion goals for all other officers who served in joint positions.

DOD has met provisions in the act that require it to develop officers in joint matters through education by establishing a two-phased joint professional military education program. The act, however, did not establish specific numerical requirements, and DOD has also not determined the number of officers who should complete the joint education program. In fiscal year 2001, only one-third of the officers who were serving in joint organizations had completed both phases of the education. DOD has also increasingly relied on allowable waivers and has not filled all of its critical joint duty positions with officers who hold a joint specialty designation. This number reached an all-time high in fiscal

year 2001 when DOD did not fill 311, or more than one-third, of its 808 critical joint duty positions with joint specialty officers.

In a letter dated January 28, 2003, the Under Secretary of Defense for Personnel and Readiness concurred with our recommendation that DOD develop a strategic plan that links joint officer development to DOD's overall mission and goals.

Background

The intent of the Goldwater Nichols Act was, in part, to reorganize DOD into a more unified military structure. Within that act, Congress included several provisions that specifically address the promotion of officers serving in joint positions, the education of officers in joint matters,⁴ and their assignment to joint organizations. The act also established a joint specialty officer designation for officers who are specifically trained in and oriented toward joint matters.⁵ Although the act contains a number of specific requirements, Congress also provided DOD with flexibility in meeting the requirements by granting it waiver authority when it can demonstrate justification.⁶ DOD approves waivers on a case-specific basis. These waivers apply to a number of the provisions, including (1) the methods for designating joint specialty officers, (2) the posteducation assignments for joint specialty officers, (3) the assignment of joint specialty officers to critical joint duty positions, and (4) the promotions of officers to the general and flag officer pay grades.

Moreover, Congress has issued follow-on reports and made changes to the law in subsequent legislation. For example, a congressional panel on

⁴ Congress defined joint matters as those matters relating to the integrated employment of land, sea, and air forces, including matters relating to national military strategy, strategic planning and contingency planning, and command and control of combat operations under unified command. 10 U.S.C. sec. 668.

⁵ There are four methods for an officer to be selected for the joint specialty: (1) An officer completes joint professional military education and subsequently serves in a joint position; (2) An officer who has a military occupational specialty, which is a critical occupational specialty involving combat operations, serves in a joint position and then completes the joint professional military education program; (3) An officer serves in a joint position and then completes the joint professional military education, provided the Secretary of Defense determines a waiver is in the interest of sound personnel management; and (4) An officer completes two joint assignments and the Secretary of Defense waives the joint education requirement. A numerical limitation on the last two waivers is specified in the law. 10 U.S.C. sec. 661.

⁶ 10 U.S.C. secs. 619a (b), 661 (c)(3) and (d)(2)(C), 663 (d).

military education issued a report in April 1989 that contained numerous recommendations regarding joint professional military education.⁷ Among other things, this panel recommended that the services' professional military education schools teach both service and joint matters and that the student body and faculty at each of the service schools include officers from the other services. DOD has implemented these recommendations. Most recently, Congress amended the law regarding the promotion criteria for officers being considered for promotion to the general and flag officer pay grades.⁸ The Goldwater-Nichols Act established a requirement that officers must have served in a joint position prior to being selected for these promotions. The amendment contained in the National Defense Authorization Act for Fiscal Year 2002, will require most officers being considered for appointment to this grade after September 30, 2007, to complete the joint education program as well.

DOD uses a number of multiservice and multinational commands and organizations to plan and support joint matters. Since passage of the Goldwater-Nichols Act, officers serving in these commands and organizations have overseen a number of joint and multinational military operations that range from humanitarian assistance and peacekeeping to major operations such as Operation Desert Storm and ongoing operations in Afghanistan. In fiscal year 2001, DOD had a total of 9,146 joint positions. Of these positions, 3,400 positions, or 37 percent, were allocated to the Air Force; 3,170 positions, or 35 percent, were allocated to the Army; 2,004 positions, or 22 percent, were allocated to the Navy; and 572 positions, or 6 percent, were allocated to the Marine Corps.

Officers in pay grades O-4 (majors in the Air Force, Army, and Marine Corps and lieutenant commanders in the Navy) and above can receive credit for joint experience when they serve in the Joint Staff, joint geographic and functional commands, combined forces commands, and defense agencies. In addition, the Secretary of Defense has the authority to award joint credit to officers for serving in certain joint task force headquarters staffs.⁹ DOD has developed a joint duty assignment list that includes all active duty positions in pay grades O-4 and above in the

⁷ Report of the Panel on Military Education of the 100th Congress, Committee on Armed Services, House of Representatives, April 21, 1989.

⁸ Pub. L. 107-167, Div. A, Title V, sec. 525 (a), (b), Dec. 28, 2001.

⁹ 10 U.S.C. sec. 664 (i).

multiservice organizations that are involved in or support the integrated employment of the armed forces. DOD's policy places limits on the number of positions in the defense agencies and other jointly staffed activities that can be included on the list.

DOD uses a two-phased approach to educate officers in joint matters. It incorporated the first phase of the program into the curricula of the services' intermediate- and senior-level professional military education schools.¹⁰ DOD offers the second phase of the program at the National Defense University's Joint Forces Staff College in Norfolk, Virginia. This phase is designed to provide officers with the opportunity to study in a truly joint environment and to apply the knowledge they gained during the first phase of their joint education. DOD also offers a combined program that includes both phases at the National Defense University's National War College and Industrial College of the Armed Forces in Washington, D.C.

Lack of a Strategic Approach Is Contributing to DOD's Difficulties to Fully Respond to the Act's Intent

A significant impediment affecting DOD's ability to fully realize the cultural change that was envisioned by the act is the fact that DOD has not taken a strategic approach that establishes clear goals for officer development in joint matters and links those goals to DOD's overall mission and goals. This lack of an overarching vision or strategy may continue to hamper DOD's ability to make continued progress in this area. A well-developed human capital strategy would provide a means for aligning all elements of DOD's human capital management, including joint officer development, with its broader organizational objectives.

The Goldwater-Nichols Act not only defined new duty positions and educational requirements but also envisioned a new culture that is truly oriented toward joint matters. Moreover, DOD's Joint Vision 2020 portrays a future in which the armed forces are "fully joint: intellectually, operationally, organizationally, doctrinally, and technically." The key question, today, is how does DOD best seize the opportunity to build on current momentum. In April 2002, the Office of the Secretary of Defense

¹⁰ These schools include the Air Command and Staff College and the Air War College in Montgomery, Alabama; the Army Command and General Staff College in Leavenworth, Kansas; the Army War College in Carlisle, Pennsylvania; the Marine Corps Command and Staff College and the Marine Corps War College in Quantico, Virginia; and the College of Naval Command and Staff and the College of Naval Warfare in Newport, Rhode Island.

issued the Military Personnel Human Resource Strategic Plan to establish military priorities for the next several years. The new military personnel strategy captures DOD leadership's guidance regarding aspects of managing human capital, but the strategy's linkage to the overall mission and programmatic goals is not stated. DOD's human capital strategy does not address the vision cited in Joint Vision 2020. DOD's human capital approach to joint officer development - if it were linked to its overall mission - would emphasize individuals with the knowledge, skills, and abilities needed to function in the joint environment.

DOD, for example, has not fully assessed how many joint specialty officers it actually needs. The number of joint specialty officers has decreased by almost 60 percent over the years, from just over 12,400 joint specialty officers in fiscal year 1990 to approximately 4,900 joint specialty officers in fiscal year 2001, yet DOD has a significant backlog of officers who, although otherwise qualified, have not been designated as joint specialty officers. Moreover, without knowing how many joint specialty officers it needs, DOD's joint professional military education system may not be structured or targeted properly. For example, without first defining how many officers should be joint specialty officers - all officers, most officers, or only those needed to fill joint positions - DOD has not been able to determine the number of joint professional military graduates it needs. DOD does not know if the total number of available seats is sufficient to meet its needs or if it will need to explore alternatives for providing joint education to greater numbers of officers.

The Goldwater-Nichols Act states that the Secretary of Defense should establish personnel policies for reserve officers that emphasize education and experience in joint matters.¹¹ However, at the time of our review, the Secretary of Defense had not yet, within a total force concept, fully addressed how it will provide joint officer development to reserve officers who are serving in joint organizations - despite the fact that no significant operation can be conducted without reserve involvement. Providing education in joint matters to reservists has become increasingly important since 1986, given that DOD has increasingly relied on reservists in the conduct of its mission. Further, with 1.2 million reservists in seven components, they represent almost half of our nation's total force. When the act was enacted, reservists were viewed primarily as an expansion force that would supplement active forces during a major war. In addition,

¹¹ 10 U.S.C. sec. 666

the current mobilization for the war on terrorism is adding to this increased use and is expected to last a long time. We interviewed officers at several joint organizations and found that reservists are serving in positions at all levels from the Chief of Staff at one command down to the mid-grade officer positions. Moreover, DOD has identified 2,904 additional positions that it will fill with reservists when it operates under mobilized conditions.

Moreover, data suggest that the four services continue to struggle to balance joint requirements against their own service needs and vary in the degree of importance that they place on joint education, assignments, and promotions. The Air Force, for example, has been able to send a higher percentage of its officers to a joint position after the officers attend a joint professional military education school. In fiscal year 2001, 44 percent of Air Force officers serving in joint positions had previously attended a joint professional military education school. In contrast, 38 percent of Army officers and 33 percent of Navy and Marine Corps officers serving in joint positions had attended a joint professional military education school prior to their joint assignments.

DOD Is Promoting Officers with Joint Experience with Mixed Results

The Goldwater-Nichols Act set a requirement that officers must complete a full tour of duty in a joint assignment, or receive a waiver, prior to being selected for appointment to the general and flag officer pay grade.¹²

DOD's reliance on good-of-the-service waivers,¹³ in particular, to promote officers who had not previously served in joint positions is one indicator of how DOD is promoting its general and flag officers. The service secretaries request use of this waiver authority when they believe they have sound justification for promoting an officer who (1) has not completed a full tour of duty in a joint position and (2) does not qualify for

¹² The Secretary of Defense may waive the requirement for (1) officers when the selection is necessary for the good of the service, (2) officers with scientific and technical qualifications for which joint requirements do not exist, (3) medical officers, dental officers, veterinary officers, medical service officers, nurses, biomedical officers, chaplains, or judge advocates, (4) officers who had served at least 180 days in a joint assignment at the time the selection board convened and the officers' total consecutive service in joint duty positions within that immediate organization is not less than 2 years, and (5) officers who served in a joint assignment prior to 1987 that involved significant duration of not less than 12 months. 10 U.S.C. sec. 619a (b).

¹³ 10 U.S.C. sec. 619a (b)(1).

promotion through one of the other four specific waivers. We analyzed the extent to which DOD has relied on this waiver category to promote its senior officers because these waivers apply most directly to the population of general and flag officers who are likely to be assigned to senior leadership positions in joint organizations.

DOD approved 185 good-of-the-service waivers, representing 11 percent of the 1,658 promotions to the general and flag officer pay grades, between fiscal years 1989 and 2001. Specifically, DOD approved 10 or more good-of-the-service waivers each year between fiscal years 1989 and 1998 and only 3 to 7 waivers in fiscal years 1999 through 2001. The Secretary of Defense has paid particular attention to this waiver category and, in 2000, established a policy that restricts the use of good-of-the-service waivers to 10 percent of total promotions to the general and flag officer pay grades each year.¹⁴ In the 2 years since the Secretary of Defense issued limitations on the use of these waivers, DOD has used them in about 5 percent of its promotions. Our analysis of general and flag officer promotions showed that, between fiscal years 1995 and 2000, the Marine Corps used good-of-the-service waivers to promote 19 percent of its officers to brigadier general. The Army used this waiver authority for 17 percent of its promotions, and the Navy used the authority for 13 percent of its promotions. In contrast, the Air Force only requested one good-of-the-service waiver during that time period.

For most appointments to the general and flag level made after September 30, 2007, officers will have to meet the requirements expected of a joint specialty officer.¹⁵ This means that most officers, in addition to completing a full tour of duty in a joint position, will also have to complete DOD's joint education program as well.¹⁶ Our analysis of the 124 general and flag officers promoted in fiscal year 2001 showed that 58 officers, or 47 percent, had not fulfilled the joint specialty officer requirements. These 58 officers included 18 of 43 officers promoted in the Air Force, 18 of 40 officers promoted in the Army, 19 of 33 officers promoted in the Navy, and 3 of the 8 officers promoted in the Marine Corps.

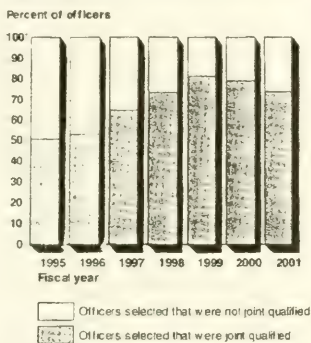
¹⁴ Secretary of Defense memorandum dated July 6, 2000.

¹⁵ 10 U.S.C. sec. 619a (a)(2).

¹⁶ The existing waiver authority remains unchanged by the amendments made to 10 U.S.C. sec. 619a (a) by the National Defense Authorization Act for Fiscal Year 2002: Pub. L. 107-107, Div. A, Title V, sec. 625, Dec. 28, 2001.

We also analyzed DOD's use of the four additional waiver categories. As of fiscal year 2001, DOD has been promoting more officers who had the requisite joint experience to the general and flag officer pay grades than it did in fiscal year 1995. In fiscal year 2001, however, DOD still relied on allowable waivers in lieu of joint experience to promote one in four officers to these senior pay grades. Figure 1 shows that the percentage of officers who were selected for promotion to the general and flag officer pay grades, and who had previous joint experience, rose from 51 percent in fiscal year 1995 to 80 percent in fiscal year 1999. Figure 1 also shows, however, that DOD experienced slight increases in the use of waivers in fiscal years 2000 and 2001.

Figure 1: Percentage of Officers Promoted to General or Flag Rank with Joint Experience between Fiscal Years 1995 and 2001



DOD has made progress, but is still not fully meeting provisions to promote mid-grade officers (majors, lieutenant colonels, and colonels in the Air Force, Army, and Marine Corps and lieutenant commanders, commanders, and captains in the Navy) who are serving or who have served in joint positions at rates not less than the promotion rates of their peers who have not served in joint positions. The Goldwater-Nichols Act

established promotion policy objectives for officers serving in pay grades O-4 and above who (1) are serving on or have served on the Joint Staff, (2) are designated as joint specialty officers, and (3) are serving or have served in other joint positions.

DOD has been most successful in meeting the promotion objective set for officers assigned to the Joint Staff. The act established an expectation that officers who are serving or have served on the Joint Staff be promoted, as a group, at a rate not less than the rate of officers who are serving or have served in their service headquarters.¹⁷ Between fiscal years 1995 and 2001, DOD met this objective 92 percent of the time.

The act further established an expectation that joint specialty officers, as a group, be promoted at a rate not less than the rate of officers who are serving or have served in their service headquarters.¹⁸ Between fiscal years 1995 and 2001, DOD met this promotion objective 74 percent of the time. Where DOD did not meet its promotion objective was somewhat random, and we were not able to attribute problem areas to specific pay grades or services. This standard has been temporarily reduced, and, through December 2004, DOD is required to promote joint specialty officers, as a group, at a rate not less than the rate for other officers in the same service, pay grade, and competitive category. We also compared the promotion rates of joint specialty officers against this lower standard and found that, with few exceptions, DOD would have met this standard between fiscal years 1988 and 2001.

DOD has made less significant improvement in meeting its promotion objective for officers assigned to other joint organizations.¹⁹ The act established an expectation that officers who are serving or have served in joint positions be promoted, as a group, at a rate not less than the rate for

¹⁷ The Goldwater-Nichols Act states that "officers who are serving on, or have served on, the Joint Staff are expected, as a group, to be promoted to the next higher grade at a rate not less than the rate for officers of the same armed force in the same grade and competitive category who are serving on, or have served on, the headquarters staff of their armed force." 10 U.S.C. sec 662 (a) (1).

¹⁸ The Goldwater-Nichols Act states that "officers who have the joint specialty are expected, as a group, to be promoted at a rate not less than the rate for officers of the same armed force in the same grade and competitive category who are serving on, or have served on, the headquarters staff of their armed force." 10 U.S.C. sec. 662 (a)(2).

¹⁹ This category excludes officers who have served on the Joint Staff and joint specialty officers.

all officers in their service.²⁰ Between fiscal years 1995 and 2001, DOD met this objective "1 percent of the time. With few exceptions during the last 7 years, all services met the promotion objective for their officers being promoted to the O-5 pay grade who are assigned to other joint organizations. However, the services have had significant difficulty meeting the promotion objectives for their officers being promoted to the O-6 pay grade. For example, the Navy has failed to meet this objective for its O-6 officers since fiscal year 1988, and the Army has only met this promotion objective twice – in fiscal years 1995 and 2001 – since fiscal year 1988. The Air Force has generally met this objective for its officers at the O-6 pay grade, but it has not met this objective in the past 4 years. Conversely, the Marine Corps had difficulty in meeting this promotion objective for its officers at the O-6 pay grade between fiscal years 1988 and 1994, but it met this objective in every year until fiscal year 2001.

Positive Actions Taken, but Gaps Remain in Education and Assignments

One of the provisions in the Goldwater-Nichols Act requires DOD to develop officers, in part, through education in joint matters.²¹ Accordingly, DOD has defined joint education requirements in terms of a two-phased program in joint matters. Furthermore, the Secretary of Defense is required to educate sufficient numbers of officers so that approximately one-half of the joint positions are filled at any time by officers who have either successfully completed the joint professional education program or received an allowable waiver to complete the education after their assignment.²² The act, however, did not identify a specific numerical requirement and, similarly, DOD has not established numerical goals concerning the number of officers who should complete joint professional military education.

According to DOD data, only one-third of the officers serving in joint positions in fiscal year 2001 had received both phases of the joint education program. This is due, in large part, to space and facility limitations at the National Defense University Schools that provide the

²⁰ The Goldwater-Nichols Act states that "officers who are serving in, or have served in, joint duty assignments (other than officers covered in paragraphs (1) and (2)) are expected, as a group, to be promoted to the next higher grade at a rate not less than the rate for all officers of the same armed force in the same grade and competitive category." 10 U.S.C. sec. 662 (a) (3).

²¹ 10 U.S.C. sec. 661 (c).

²² 10 U.S.C. sec. 661 (b) and (d).

second phase. Although DOD assigns approximately 3,000 active duty officers to joint positions each year, the three schools, collectively, have about 1,200 seats available for active duty officers.

Furthermore, the Joint Forces Staff College, from which most officers receive the second phase, is currently operating at 83 percent of its 906 seat capacity. Moreover, the number of unfilled seats at the Joint Forces Staff College has risen significantly in recent years, from a low of 12 empty seats in fiscal year 1998 to a high of 154 empty seats in fiscal year 2001. DOD officials cited pressing needs to assign officers to the increasing number of military operations as the major reason for these vacancies. A Joint Staff officer responsible for joint education expressed concern about the services' ability to fill seats in the future due to the ongoing war on terrorism.

Logistics, timing, and budget issues are also making it difficult for officers to attend the second phase of the joint education program. The Joint Forces Staff College offers the second phase three times during the year and, by law, may not be less than 3 months.²³ The Joint Forces Staff College can only accommodate approximately 300 students in each 3-month term and does not have the space to receive all of the service professional military education school graduates at the same time. Given that, officers can report to their joint position after completing the first phase and subsequently attend the second phase on a temporary duty basis at some point during their assignment. However, officers and senior leaders at the sites we visited told us that their joint commands cannot afford a 3-month gap in a position due to pressing schedules and workload demands. Officers serving on the Joint Staff told us that a former Chairman of the Joint Chiefs of Staff had instituted a policy that the Joint Staff would not send officers to the Joint Forces Staff College – or to any other training lasting more than 30 days – after they reported to the Joint Staff for duty. DOD officials confirmed this and explained that the former chairman instituted this policy with the expectation that the services would send their officers to the second phase of the education before sending them to their Joint Staff assignments. The services, however, are still not sending all officers to the second phase before they assign officers to the Joint Staff. In addition to logistics and timing issues, related budget issues exist. When an officer attends the second phase en route to a joint command, the officer's service pays the expenses associated with sending

²³ 10 U.S.C. sec. 663 (e).

the officer to the Joint Forces Staff College. When the officer attends the program midtour, the joint organization pays the expenses.

In addition, considerable variation exists among the services in terms of the number of officers each service sends to the Joint Forces Staff College. The Chairman of the Joint Chiefs of Staff has directed that the seats be allocated among the services in accordance with the distribution of service positions on the joint duty assignment list. The percentage of seats reserved for each service at the school does, in fact, reflect the distribution on the list. However, while the Air Force filled almost 98 percent and the Marine Corps 91 percent of their allocated seats in academic year 2001, the Army filled only 77 percent of its seats and the Navy filled only 67 percent of its seats. Moreover, vacancy rates for the Army and the Navy have, for the most part, increased between academic years 1996 and 2001.

The Goldwater-Nichols Act, as amended, further requires DOD to designate at least 800 joint positions as critical joint duty positions²⁴—positions where the duties and responsibilities are such that it is highly important that officers assigned to the positions are particularly trained in, and oriented toward, joint matters. DOD has met this requirement and has designated 808 positions as critical joint duty positions. However, DOD is also required to place only joint specialty officers in these positions unless the Secretary exercises his waiver authority.²⁵ DOD has increasingly used its waiver authority to meet this requirement. The percentage of critical joint duty positions that were filled by officers other than joint specialty officers steadily increased from 9 percent in fiscal year 1996 to 38 percent in fiscal year 2001. This number reached an all-time high in fiscal year 2001, when DOD did not fill 311, or more than one-third, of its critical joint duty positions with joint specialty officers. In addition, DOD has left other critical joint duty positions vacant. The percentage of unfilled critical joint duty positions has steadily increased from 8 percent in fiscal year 1989 to 22 percent in fiscal year 2001. Therefore, only 331 positions, or 41 percent, of the 808 critical joint duty positions were filled by joint specialty officers in fiscal year 2001.

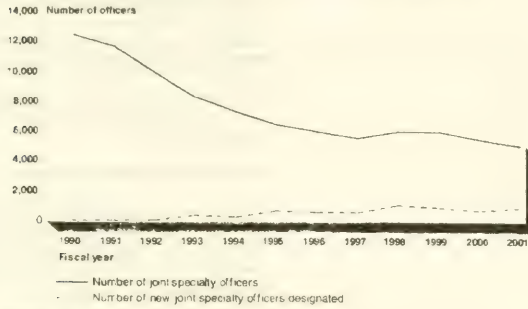
²⁴ The act originally required the Secretary to designate no fewer than 1,000 critical joint duty positions, but the act was amended in 1996 by Public Law 104-106 section 501(a) to reduce the number to 800. 10 U.S.C. sec. 661 (4)(2)(A).

²⁵ 10 U.S.C. sec. 661 (d)(2)(B) and (C).

The services fill these critical joint duty positions with officers who have both the joint specialty designation and the appropriate primary military skill, any additional required skills, and pay grade. However, when (1) no joint specialty officer with the other requisite skills is available for assignment (e.g., pay grade and military occupation) or (2) the best-qualified candidate is not a joint specialty officer, a waiver must be approved to fill the position with an otherwise qualified officer. Service and Joint Staff officials explained DOD's inability to fill a critical position with a joint specialty officer may be due to the fact that the critical joint duty position description may not reflect the commander's needs at the time the position is filled. These officials told us that the most frequently cited reason for requesting an allowable waiver was because the commander believed that the best-qualified officer for the position was not a joint specialty officer.

In addition, DOD's population of joint specialty officers may not be sufficient to meet this requirement. By fiscal year 1990, DOD had designated just over 12,400 officers, who already had the joint education and experience, as joint specialty officers. However, DOD experienced a 56 percent decrease in its joint specialty officers between fiscal years 1990 and 1997 and has experienced moderate decreases in fiscal years 2000 and 2001. By fiscal year 2001, DOD had approximately 4,900 designated joint specialty officers. Officials on the Joint Staff attributed the decreases in the early years to the fact that the attrition of officers who received the designation in fiscal year 1990 has exceeded the number of new designations of joint specialty officers. DOD officials also projected that they would need to designate approximately 800 new joint specialty officers each year to maintain its current population. Our review of data since fiscal year 1990 found that DOD only met this projection in fiscal years 1998, 1999, and 2001. Figure 2 shows the number of new designations of joint specialty officers each year and the total number of joint specialty officers for fiscal years 1990 through 2001.

Figure 2: Number of Officers Designated Annually as Joint Specialty Officers and Total Number of Joint Specialty Officers for Fiscal Years 1990 through 2001



Source: The Joint Staff

Officials told us that DOD has been selective in nominating and designating officers for the joint specialty because of the promotion objectives specified in the law. Officials noted that as a result, the population of joint specialty officers has been small. The act requires the services to promote joint specialty officers, as a group, at a rate not less than the rate of officers being promoted who are serving on, or have served on, the headquarters staff of their service.²⁶ This higher promotion standard is applied to joint specialty officers from the time they receive the joint specialty designation until they are considered for or promoted to pay grade O-6. DOD sought relief from this provision and, in December 2001, Congress reduced the standard for 3 years. During this 3-year period, the services are to promote joint specialty officers at a rate not less than the promotion rates of all other officers being promoted from the same military service, pay grade, and competitive category. Currently, about 2,700 officers meet the joint specialty officer qualifications but have not been designated, and DOD, given this change in the law, is in the process

²⁶ 10 U.S.C. sec. 662 (a)(2).

of designating these officers. Once they are designated, DOD will have a population of about 7,600 joint specialty officers.

In a letter dated January 28, 2003, the Under Secretary of Defense for Personnel and Readiness concurred with our recommendation that DOD develop a strategic plan that links joint officer development to DOD's overall mission and goals.

Mr. Chairman, this completes my prepared statement. I would be happy to respond to any questions you or other members of the Subcommittee may have at this time.

Contacts and Acknowledgments

For questions about this statement, please contact Derek B. Stewart at (202) 512-5140 (e-mail address: Stewartd@gao.gov) or Brenda S. Farrell at (202) 512-3604 (e-mail address: Farrellb@gao.gov). Individuals making key contributions to this testimony included David E. Moser and Ann M. Ulrich.

Written Statement of

Dr. Paul Herbert

Associate, Booz Allen Hamilton Inc.

And

Mr. Stuart Wilson

Associate, Booz Allen Hamilton Inc.

Before the

House Armed Services Committee

Subcommittee on Total Force

March 19, 2003

Mr. Chairman and Members of the Sub-Committee, thank you for this opportunity to update the Sub-Committee on our recently completed independent study of Joint Officer Management and Joint Professional Military Education.

The Congress called for the study in PL 107-107, the National Defense Authorization Act for Fiscal Year 2002. Our firm, Booz Allen Hamilton, was awarded the contract by the Department of Defense in September, 2002. We submitted our report to the DoD on March 17, and will submit it to the House and Senate Armed Services Committees on March 28. Our written statement today includes the Report's Executive Summary, about which we would like to make a few short points.

First, the focus of our study was the effectiveness of JOM/JPME in view of proposed operational concepts. JOM/JPME as established by Chapter 38, Title 10, of the United States Code, is a key pillar of the Goldwater-Nichols Department of Defense Reorganization Act of 1986. The purpose of Chapter 38 is to ensure the four individual services provide joint commanders and joint organizations a fair share of their best officers, many of whom have been trained and are experienced in joint matters. The intent is to promote the joint warfighting effectiveness of the Armed Forces.

Second, our study concludes that JOM/JPME has been effective since 1986, but requires an update in practice, policy and law. Due to Goldwater-Nichols, and initiatives within the Department of Defense and the services, today's Armed Forces are far more capable of planning and conducting joint operations. Joint organizations are staffed today with a fair share of high quality, trained and experienced officers. Further, there is a significantly different culture today in the Armed Forces and the officer corps that embraces joint warfare and the Goldwater-Nichols provisions. The debate today is not over whether to advance joint warfighting, but over how to do so.

Third, positive changes in the Armed Forces are in no small part due to the joint professional military education of officers required by the Goldwater-Nichols Act and given powerful stimulus by the 1989 review panel of the House Armed Services Committee chaired by the Honorable Mr. Skelton. Generally, JPME works well. We make two recommendations: (1) to convert the Joint Forces Staff College at Norfolk, Virginia, from a 90-day school to a full, 1-year, joint staff college, and (2) to authorize the professional education of future joint specialists at service PME colleges as well as at NDU. This investment is necessary because an emerging style of joint warfare requires enhanced professional education of some officers.

Fourth, update in practice, policy and law is necessary because that emerging style of warfare, and the strategic situation of the United States, are very different than in 1986. At that time, large, service formations were *coordinated* at high levels of command, such as the unified commands. Today, the Armed Forces *integrate* their

capabilities at lower levels of command as well. This puts a premium on joint awareness and proficiency by more officers, as well as other people in the Department of Defense. It requires that military professionalism within each service include a strong component of joint acculturation and proficiency.

Fifth, joint officer management can be better attuned to these joint requirements, especially with regard to the development and utilization of joint specialty officers, established by Chapter 38. As multiple previous studies also show, the Department of Defense complies with the law technically with regard to JSOs, but the concept has not been made to work well. Many of our recommendations address the JSO concept.

Sixth, whatever changes to law may be made, control of joint officer assignments should not revert to the four services. The law presents difficulties for the services and the Department of Defense and can be streamlined to better align with today's requirements. We make several recommendations in that regard. However, streamlining should be approached with care. Chapter 38 removed control of officer assignments to joint organizations from the four services and gave that control to the Secretary of Defense and Chairman, JCS. That external control remains necessary to balance the interests of joint organizations with those of the services and service organizations. Nearly every former Chairman, JCS, we interviewed stressed this point.

Therefore, we recommended to the Department of Defense a more "strategic" approach to joint officer management and joint professional military education. The Department should cast recommended changes clearly in the context of developing the officer corps for joint, multinational and interagency operations. Equally important, for all recommended changes, DoD should specifically address the original purposes of Goldwater-Nichols, including how the Secretary and Chairman, JCS, would retain control over joint officer assignments. This strategic approach should have the personal imprimatur of the Secretary of Defense and Chairman, JCS. On the basis of such an approach, update to the law is appropriate.

EXECUTIVE SUMMARY

1. INTRODUCTION

This report presents the results of an independent study by Booz Allen Hamilton to determine the effectiveness of joint officer management (JOM) and joint professional military education (JPME) based on the implications of proposed joint organizational and operational concepts (such as standing joint force headquarters) and emerging officer management and personnel reforms under consideration by the Secretary of Defense.¹ Congress mandated an independent study and report on JOM and joint professional military education (JPME) in the National Defense Authorization Act (NDAA) for 2002 partly in response to requests by the Department of Defense (DoD) to change certain provisions of the Goldwater-Nichols Department of Defense Reorganization Act of 1986 (Goldwater-Nichols Act [GNA]).

KEY FINDINGS AND RECOMMENDATIONS

JOM/JPME requires updating in practice, policy, and law to meet the demands of a new era more effectively. It has been and is effective by the terms set for it in 1986: the Armed Forces now are significantly more capable of conducting joint planning and joint operations. However, as part of a strategic approach to officer development for joint warfare, DoD should —

- Focus JOM, especially the utilization of JSOs, on “joint matters” as defined in law
- Better articulate the individual competencies required of officers and other personnel, by defining core competencies of joint organizations
- Identify and classify joint duty assignment (JDA) positions according to their relationship to joint warfighting
- Develop new methods of awarding JDA-equivalent credit to reflect joint integration below the unified combatant command (UCC) level.
- Define the term “joint specialty officer” more comprehensively
- Develop detailed career guidelines and tracks for the professional development of JSOs in joint warfighting and strategy

¹ 107th Congress, First Session, *National Defense Authorization Act for Fiscal Year 2002*, P.L. 107-107, Title V, Subtitle C, Section 526. The legislation stated “standing joint task forces,” but the concept has evolved in DoD planning and is now the Standing Joint Force Headquarters (SJFHQ) prototype.

- Convert the Joint Forces Staff College (JFSC) to a 1-year, JPME I & II, joint intermediate level college with a charter to educate officers in the joint operational art, from a joint perspective
- Authorize intermediate and senior level service colleges to establish programs for JPME II to be accredited by the Chairman, Joint Chiefs of Staff (JCS)
- Seek legislative relief from the requirement in Title 10, Section 619a. (a)(2) for officers to be JSOs before promotion to general or flag officer (O-7)
- Tailor appropriate JPME programs for the entire officer corps, from pre-commissioning through the general and flag officer grades
- Implement a joint officer management program for Reserve component (RC) officers and allow RC officers who meet all qualifications to be designated as JSOs
- Develop joint training programs that exploit educational technology and address the skills needed by all DoD personnel in joint organizations.

Such an approach can help DoD identify further improvements that may require changes to legislation and can provide a sound and credible basis for seeking legislative update. The approach requires emphasis by DoD's leadership from the Secretary of Defense and Chairman, JCS, through the entire chain of command. The challenge for the government is to craft the right combination of law and policy that in practice sustains the original purpose of GNA but allows DoD to develop the officer corps, as well as other personnel, for a new era of joint, interagency, and multinational warfare.

Background: The Goldwater-Nichols Act and JOM/JPME

JOM and JPME are a single, interwoven system established as part of the GNA reforms. GNA sought to improve joint operational capability by enhancing the power of joint commanders and limiting that of the service departments, service chiefs and service components. At the time, military officers shunned joint staff positions, leaving the Chairman, JCS and the UCCs with inexperienced and constantly changing staffs.

JOM/JPME empowers the Secretary of Defense, Chairman, JCS, and the UCCs by providing the Secretary, and not the services, control of joint assignments, in order to place trained, experienced, quality officers with a joint perspective on their staffs. In addition, JOM/JPME promotes a joint culture within the Armed Forces by ensuring that officers, and especially future general and flag officers, have joint education and experience. Proponents of reform viewed these measures as indispensable to future joint warfighting ability.

Title 10, Chapter 36, Section 619a, and Chapter 38 of the United States Code (U.S.C.) prescribe in detail how JOM/JPME is to work. Chapter 38 requires the Secretary of Defense to maintain a list of joint duty assignments (JDA) that yield meaningful joint experience and qualify an officer for promotion. The Secretary may define such positions, but they may not be within service departments and must be related to "joint matters," as defined in law:

joint matters are matters relating to the integrated employment of land, sea and air forces; national military strategy; strategic and contingency planning; and the command and control of combat operations under unified command.

Title 10, Section 668 (a).

Title 10, Chapter 38, requirements

- Establishes a "joint specialty" in *joint matters*
- Joint Specialty Officers (JSO) qualify through JPME II and experience in a joint duty assignment (JDA)
- SecDef must define JDAs as positions that provide significant experience in *joint matters*
- SecDef must maintain a list of all such positions, the JDAL
- SecDef must fill approximately half of JDAs with JSO or JSO nominee
- SecDef must designate not less than 800 JDAs as "critical"
- SecDef must fill critical JDAs with JSOs
- SecDef must ensure officers in JDAs and JSOs are promoted comparably to peers in service assignments
 - Joint organizations get a fair share of quality officers
 - Officers are not penalized for joint duty
- Officers must serve one full tour in a JDA to be eligible for promotion to general or flag rank (O-7) (Chapter 36, Section 619a.)

The list is the JDA List (JDAL). GNA also requires some officers to become JSOs, who serve multiple tours in JDAs. DoD must fill half of all the JDAs on the JDAL with either a JSO or an officer nominated to become a JSO—the "50-percent fill rule." In addition, JSOs as a group must be promoted at a rate not lower than that of officers assigned to their service's headquarters.

JSOs receive JPME beyond that provided to other officers. Service staff colleges and war colleges, in both resident and nonresident courses, teach about joint warfare from a service perspective in accredited programs known as JPME I, which prepare all officers for JDA duty.

JSOs receive more than JPME I; they go on to study joint warfare from a joint perspective at resident JPME schools in the National Defense University (NDU). Officers may attend 90-day JPME II courses at NDU's Joint Forces Staff College (JFSC) in Norfolk, Virginia; or instead of attending their parent senior service college, they may attend either NDU's National War College (NWC) or Industrial College of the Armed Forces (ICAF). After such education, a JSO's career should mix joint and service assignments to build competence in joint warfighting. To enforce this progression,

GNA requires DoD to identify no fewer than 800 "critical" JDAs that must be occupied by JSOs. Chapter 38 establishes detailed rules and procedures and an annual reporting requirement by the Secretary of Defense to Congress showing full compliance.

Reformers wrote this prescriptive legislation because they did not believe that DoD and the services would carry out a more general reform mandate. In so doing, they created in the joint specialty a de facto joint dimension of military professionalism whose requirements seem to come at the expense of professionalism as defined by each of the four services. JSOs must undergo schooling and assignments outside traditional, demanding career tracks, and still compete successfully for promotion. The tension between service and joint requirements shows in the continued exchange between DoD and Congress. DoD believes that today's officers "get joint," and more permissive measures are now appropriate. Some in Congress hear echoes of earlier antireform arguments and do not want to risk even unintentional setbacks. For them, change is possible, but only if soundly based on joint requirements and accompanied by safeguards equivalent to those now in law that prevent control of joint officer management from reverting to the individual services.

The tension between service and joint professionalism is well illustrated by the central issue of JOM/IPME on which much of this report focuses: the relationship of JSOs, critical JDAs, and IPME II. On this fundamental question, two very different views exist. The legislation directing this study also required that, by 2007, all officers promoted to general or flag officer must first be JSOs. However, in almost all interviews, active and retired senior officers across the Armed Forces stated that the JSO designation is a hollow distinction because there appears to be little difference in performance between JSOs and non-JSOs.

Because there are positions in all joint organizations that appear to require previous, relevant joint experience, the concept of the JSO appears valid and useful. However, many of the original Title 10 prescriptions now need update. Therefore, this study proceeded on the presumption that JOM effectiveness is largely a matter of developing and using JSOs effectively while preserving the other controls over joint officer management established in Chapter 38. A more comprehensive approach to officer development for joint warfare can help DoD work toward a middle ground wherein JOM/IPME can be made more effective and more palatable within the intent of the law.

METHODOLOGY

This study adapted a workforce analysis approach consisting of an assessment of the current workforce system (Chapter 38); an estimate of likely future requirements; a "gap analysis" to determine whether the current workforce and system can meet future requirements; and identification of strategies to close the gaps. The Booz Allen team conducted site visits to the UCCs, service headquarters, service personnel centers, the Joint Staff, the Office of the Secretary of Defense, and professional military education

institutions; examined numerous studies on the subject; conducted hundreds of interviews of experts and current and former officials, military and civilian; polled 2,748 officers currently participating in JOM/JPME; and analyzed personnel data from multiple joint and service sources.

ORGANIZATION OF THE EXECUTIVE SUMMARY

This executive summary consists of four sections. Section 2 assesses 21st century joint warfare, proposed operational and organizational concepts, and their implications for JOM/JPME. In view of those implications, Section 3 analyzes the effectiveness of JOM/JPME as it operates today. Section 4 makes specific recommendations for updating practices, policy, and, where necessary, law. Detailed analyses and responses to tasks specified in the statement of work are included in the main report, including appendices.

2. FUTURE REQUIREMENTS

A strategic approach is necessary because an update to JOM/JPME should not take place for its own sake but as part of DoD's overall adjustment to changed circumstances. Responding to historical, geopolitical, and technological trends, the strategic situation of the United States today is very different from the situation in 1986, as are the Armed Forces. Especially compelling is the demand for horizontal integration of capabilities at strategic, operational, and tactical levels, rather than deconfliction of forces at strategic and operational levels. The Standing Joint Force Headquarters (SJFHQ) initiative is one manifestation of this change. There are two important implications to this emerging joint style of warfare:

- Joint integration of multiple capabilities is a skill in and of itself, and requires focused study, preparation, and practice by many officers.
- An increasing number of people (including RC officers, junior grade officers, noncommissioned officers [NCO], and civilians) are involved in joint matters, and they will need knowledge, skills, abilities, and other qualities not needed by their predecessors.

JOINT WARFARE AND ITS IMPACT ON PERSONNEL

The population of officers and other military personnel dealing with joint matters as defined in law is changing. Where joint duty used to be the preserve of senior active duty officers in UCC and national headquarters, it increasingly includes officers at the O-4 and O-3 levels, DoD civilians, RC personnel, and senior NCOs. This is especially true in the headquarters of joint task forces (JTF) and other joint headquarters below the UCC level. For example, research showed that a current UCC has 11 subordinate joint headquarters involving roughly 1,000 staff officers in grades O-1 to O-6, 33 percent of whom are in grade O-3. Of the 2,748 officer poll respondents, 475, or 18 percent, had already served in a JTF headquarters. Hundreds of RC officers are helping to staff regional and functional UCC headquarters nationwide and overseas. These trends have the following implications for JOM/JPME:

- Joint-experienced senior leaders remain vitally important; they should be developed in a deliberate manner to match joint competence to responsibility
- Demand for joint competence at earlier stages in officers' careers should be met by a combination of training, experience, and education
- JOM/JPME should allow for early joint experience for officers
- DoD should track officers with joint competencies and experience so that their skills are readily available and identifiable in a highly flexible joint force

- Joint competence is now required of a larger subset of the DoD workforce that includes some civilians, NCOs, junior grade officers, and reservists.

JOINT WARFARE AND CHANGING OFFICER COMPETENCY

The key emerging discipline of joint warfare is joint integration. Interviews, polling data and analysis of available literature on current and future operations reveal some of the important competencies that officers require for joint warfare:

- *Knowledge* of other services' capabilities
- *Ability* to envision the integrated application of force and nonviolent means to achieve strategic objectives
- *Knowledge* and *skill* in joint planning procedures (including virtual collaboration) and command and control (C2) doctrine
- *Aptitude* for joint integration; they should instinctively look for the implications of integration
- *Knowledge* and *ability* in interagency and multinational matters
- *Knowledge* of national and theater strategy and the *skill* to recognize the strategic implications and ramifications of operational and tactical activity
- *Understanding* of the new information environment and an inclination to participate in it and use it to their advantage.

Nearly every officer is likely to be affected to *some degree* by joint considerations. Joint competence must become an inherent, embedded part of service professionalism. This underscores the need for a broad, strategic view of how joint warfare creates new requirements for joint skills and personnel. In this sense, JOM/JPME reform is a subset of the broader change management effort and must be approached accordingly.

3. JOINT WARFARE AND JOM/JPME: AN ASSESSMENT

JOM/JPME operates today according to legal requirements, institutional imperatives and long-standing, inherited practices, rather than according to a plan to advance joint warfighting. Specifically, the JDAL, critical JDAs, JSOs, and JPME II reflect different interpretations of joint matters; consequently, they are not as effective as seems possible to meet future joint warfighting needs.

TWO UNDERSTANDINGS OF "JOINT MATTERS"

The practical understanding of "joint matters" throughout DoD has devolved from the original definition of matters relating to the integrated employment of land, sea, and air forces. Consequently, JOM is not focused well on joint warfighting, making "effectiveness" very difficult to judge.

JSOs are to be "particularly trained and oriented toward joint matters." The Secretary of Defense is to define JDAs as positions "limited to assignments in which the officer gains significant experience in joint matters." Of these, some are to be designated as "critical" because of the high importance of the occupant being a joint specialist with previous particular training, orientation, and experience in joint matters.² The law further requires that "An [active duty] officer...may not be appointed to brigadier general or rear admiral unless they (sic) have completed a full tour of duty in a JDA."³

This creates a dilemma. If the definition of joint matters were applied strictly, not enough JDAs could be identified to provide promotion-qualifying opportunities to a sufficient pool of flag officer candidates. Furthermore, because service in a JDA is required for promotion to general or flag officer, joint organizations want to have many, if not all, their positions on the JDAL in order to draw in the services' best officers. Accordingly, in 1987, DoD designated as JDAs 100 percent of the positions for officers in grade O-4 and above in the Office of the Secretary of Defense, the Joint Staff, and the UCC headquarters, and up to 50 percent of those grades in defense agencies. The JDAL today contains 9,102 positions.

These decisions went beyond the definition of joint matters and set the precedent of extending to all staff officers, without regard to their duties, the strategy, planning, C2, and integrated employment functions of the Secretary of Defense, Chairman, JCS, and UCCs. Examples of current JDAs include a morale/welfare/recreation staff officer, an assistant director of advertising, directors of military equal opportunity policy, directors of military compensation, and other officers in positions far removed from strategy, planning, integrated employment of forces, and C2. Service in these positions qualifies

² "The Secretary of Defense shall by regulation define the term 'joint duty assignment'... [t]hat definition shall be limited to assignments in which the officer gains significant experience in joint matters..." USC, Title 10, Sec. 668b(1).

³ Title 10, Sec. 619a (a)(2).

officers as JSOs and for promotion to general or flag officer without really providing the experience intended.⁴ JDAs in practice are viewed as a prerequisite for promotion—that is, a ticket to be punched.⁵

DoD's broad interpretation of joint matters for construction of the JDAL has become the accepted understanding of joint duty as existing only at UCC and national levels, and consisting of anything involving two or more military departments. This practice confuses the purpose and understanding of JSOs, JPME II, and critical JDAs, while weakening the contribution of those concepts to joint warfighting effectiveness.

JOINT SPECIALTY OFFICERS

The JSO concept operates differently than envisioned and therefore has not realized its potential value. Interviews and focus groups show that JSO performance is nearly indistinguishable from non-JSO performance, except in planning and operations positions. Supervisors and JTF commanders do not concern themselves with whether they have JSOs assigned. The JSO title is perceived mainly as a promotion advantage and therefore an irritant to non-JSOs. Officers' absences to attend JPME II on a temporary-duty-and-return basis to become JSOs result in budget, manpower, and workload difficulties in UCCs.

The law requires DoD to "establish policies, procedures, and practices for the effective management" of officers "particularly trained in and oriented toward joint matters" (JSO). However, there is no working definition of what a JSO is or should be. The DoD definitions mirror the Title 10 language without elaboration.⁶ JSOs are defined instead by what they do: attend JPME II and serve in any JDA, in numbers sufficient to meet the mandated annual reporting requirements of the Secretary of Defense.

To ensure that the services actually produce JSOs, the law requires that approximately half the JDAs above the grade of O-3 be filled at any time by a JSO or JSO nominee.⁷

⁴ By defining joint matters as matters "relating to" integrated employment, the law allows DoD discretion. Some of these positions are important responsibilities by which officers gain significant experience in the joint *activity* of the Armed Forces.

⁵ The term "ticket punching" arose in several interviews and focus groups and was specifically cited by an active O-10 and a former Chairman, JCS. See also David E. Johnson, *Preparing Potential Senior Army Leaders for the Future* (Santa Monica, CA: RAND, 2002), p. 27.

⁶ Title 10 Sec. 661 (a): The Secretary of Defense shall establish policies, procedures, and practices for the effective management of officers of the Army, Navy, Air Force, and Marine Corps on the active-duty list who are particularly trained in, and oriented toward, joint matters...[O]fficers to be managed by such policies, procedures, and practices are referred to as having, or having been nominated for, the "joint specialty." A JSO nominee is an officer who is nominated for the joint specialty after (1) successfully completing an appropriate program at a JPME school, and (2) after completing a full tour of duty in a joint duty assignment. Title 10, Sec. 661 (c) (1). Current DoD definitions are in DoDI 1300.20, DoD Joint Officer Management Program Procedures, 20 December 1996, pp. 8 and 25.

⁷ Title 10, Section 661 (d)(1)

DoD uses the 50-percent rule as a JSO production goal but not a management tool. DoD fills any 50 percent of JDAs with JSOs or nominees rather than concentrating on that 50 percent of the JDAL most involved in strategy, planning, integrated employment, and C2.⁸

The consequences of this procedure are several. DoD produces JSOs of sufficient quality and distributes them fairly evenly among joint organizations. This effort creates a pool of joint generalists with little common expertise in joint warfighting. JSOs do not put their JPME II education to best use in joint warfighting positions and therefore seem not to perform much differently from their non-JSO colleagues. The experience they gain in their first JDA is not necessarily relevant to increased responsibility in joint warfighting. The understanding of the JSO as an officer particularly trained, oriented, and experienced in strategy, planning, integrated employment, and C2 is further diluted. Although all are well qualified officers, the senior military leadership does not view them as critical to the integration of U.S. land, sea, and air forces.

Joint Professional Military Education II

The tension between the narrow definition and broad interpretation of joint matters affects JPME. By law, JSOs are to attend "an appropriate program at a JPME school."⁹ The JPME schools of the NDU provide that education according to the Title 10 definition of joint matters: strategy, planning, integrated employment, and C2. However, the graduates of these schools are assigned to any and all JDAs equally, where their schooling may or may not be relevant.¹⁰

This problem especially applies to the JFSC in Norfolk. As a 90-day school with a 300-seat capacity, a JPME I prerequisite and an annual production requirement of 900 graduates, JFSC must run three courses per year. Only one course can accept the spring JPME I graduates of most PME schools.¹¹ Other officers intended by their services to become JSOs must report to their JDA and return later for one of the other courses, leaving their JDA vacant for 90 or more days. This manpower "tax" is significant. Of the more than 6,000 JSOs now on active duty, 2,633 attended JPME II sometime during their JDA—649 man-years of vacant positions. These absences seem especially

⁸ Currently, roughly 53 percent of all JDAs are filled by JSOs or nominees.

⁹ Title 10, Section 661(c)(1)(A).

¹⁰ The law requires that all JSO graduates of these institutions be assigned to a JDA upon graduation, and that 50 percent + 1 of other graduates be so assigned as one of their two subsequent assignments; however, this requirement can be met by sending the graduate to any JDA, not necessarily one actually related to joint matters. Title 10, Section 663 (d). See Task 4.8* in Appendix A.

¹¹ Army, Air Force, and Marine Corps professional military education (PME) schools run for a traditional academic year and hold graduation in the spring. The Naval War College runs on a trimester basis with "rolling" admissions—that is, students are accessed and graduated three times in every year.

unreasonable when headquarters are understaffed and the officer's JDA is not significantly related to joint matters and does not capitalize on the officer's education.

Although the purpose of JPME II is to educate officers in joint matters for service as JSOs throughout their careers, JPME II is almost universally perceived as preparatory training for one's first JDA. The law requires that JPME I precede JPME II and that officers nominated for the joint specialty complete their qualifying JDA service "after" JPME II.¹² For most officers, then, JPME II must precede their first JDA. As preparatory training, not surprisingly, it is found wanting: it does not prepare officers specifically for the range of JDAs in which they serve; it is not accomplished before the officers arrive at their JDA, but requires their absence; and it is not available to all officers serving in JDAs, but only to those selected by their service to become JSOs. JFSC conscientiously educates future JSOs in joint matters; its graduates laud its performance by a significant margin.¹³ However, its mission is not well understood and is little appreciated in the commands in which the graduates serve. Combined with the turbulence created in joint organizations by officers vacating their JDAs to attend the school, the consequence is that the school does not enjoy the legitimacy of its service PME counterparts.¹⁴

"Critical" Joint Duty Assignments

The broad interpretation of joint matters affects how DoD understands and manages critical JDAs. The law requires that—

The Secretary shall designate not fewer than 800 JDAs as critical....Such designation shall be made by examining each [JDA] position and designating...those positions for which, considering the duties and responsibilities of the position, it is highly important that the occupant be particularly trained in, and oriented toward, joint matters. Each position designated by the Secretary...may...be held only by an officer who has the joint specialty.¹⁵

This small core of positions is so central to joint warfighting that only officers already experienced in joint matters (that is, JSOs) are to fill them.

¹² U.S.C., Title 10, Section 661(c)(1)(B).

¹³ Of the roughly 700 JFSC graduates who responded to the poll supporting this study, strong majorities responded favorably to questions regarding their experience at the school. When analyzed by year of graduation, 6 of 7 areas showed that recent graduates (2000–2003) responded favorably to questions more frequently than earlier graduates (1989–2000). Free text comments submitted by respondents were twice as likely to be favorable as unfavorable. See poll data at Appendix I.3.

¹⁴ This misperception of JPME II as preparatory training was expressed frequently at unified command visits. Many senior leaders and other officers expressed in interviews that they did not see the purpose of the JFSC. Some were emphatic in their remarks. No officer, senior or otherwise, expressed a similar view toward other PME or JPME schools. See interview data at Appendix I.

¹⁵ U.S.C., Title 10, Sec. 661 (d) (2).

DoD requires every joint organization to nominate about 9 percent of its JDAs as critical, in order to meet the legislated minimum total of 800 positions.¹⁶ This forces organizations to designate as "critical" positions that probably are not. Roughly 15 percent of critical positions now on the JDAL appear to be unrelated to strategy, integrated employment of forces, or C2, including military assistants to Office of the Secretary of Defense (OSD) officials, commanders of electronics supply centers, defense attachés, and officers of the Military Entrance Processing Command. These are so loosely related to joint matters that their existence creates confusion over the purpose of the critical designator and the importance of filling critical positions only with officers who have JPME II and previous joint experience.¹⁷

In October 2002, of the 808 critical JDAs on the JDAL, 290, or about 36 percent, were filled by JSOs, when there were approximately 4,574 JSOs in the inventory theoretically available to fill the remaining positions. This continues a steady trend since 1994 of filling fewer and fewer critical JDAs with JSOs. The law requires that non-JSOs be approved to fill critical JDAs on a case-by-case basis by the Chairman, JCS, but such variances are so regular that fully 40 percent of all critical positions are filled by non-JSOs. Another 24 percent are not filled at all.¹⁸ The absence of a waiver limit has resulted in a steep downward trend line in the JSO fill rate since 1997.¹⁹ Personnel managers believe the fill by non-JSOs reflects the lack of validity of critical JDAs, not a lack of management. A linear projection of JSO fill rate, based on the downward trend since 1997, would show that by 2006 there would be only six JSOs in critical billets.

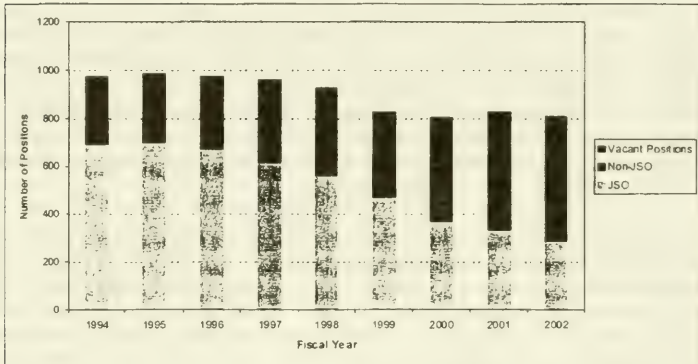
¹⁶ Interviews with joint officer personnel managers on the Joint Staff and in the unified commands; DoDI 1300.20, 20 December 1996, p. 3-2.

¹⁷ This analysis is based only on duty titles (not full-duty descriptions) listed for critical positions on the 2002 JDAL. 302 duty titles could not be interpreted because they were generic (e.g., "chief," "deputy director," and "analyst"). Of the remaining 492, 73 (15 percent) appeared to be unrelated to joint matters. Another 70 (15 percent) clearly are related: unified commanders, their deputies, chiefs of staff, J-3s, and J-5s. The remainder can be classified as follows: 82 (17 percent) strategy, plans and policy; 70 (14 percent) operations; 61 (12 percent) intelligence; 46 (9 percent) command, control, communications, or information operations; 37 (8 percent) logistics; 27 (5 percent) doctrine, training and exercises; 11 (2 percent) alliance/coalition affairs; 11 (2 percent) nuclear, biological, chemical warfare; and 4 (1 percent) miscellaneous other joint duties.

¹⁸ 197 critical positions are entirely vacant (not filled by anyone). Of these, 108 have been vacant for 1 to 2 years, 60 have been vacant for 2 to 3 years, and 29 have been vacant for more than 3 years.

¹⁹ This appears to indicate limited or no control on the waiver process.

Figure ES-1. JSO/Non-JSO Fill Rates



There are many reasons that critical JDAs are not filled by JSOs. First, each position requires a JSO of a certain service, grade, and warfare specialty who is “available,” that is, nearing the end of an assignment and able to move. Often, no officer is available who holds all credentials, consequently an otherwise qualified and available non-JSO is sent.

Second, supervisors and commanders perceive that JSOs and non-JSOs perform effectively in these critical JDAs and do not insist on a JSO replacement.²⁰ The critical JDA roster calls for 330 O-5s, 390 O-6s, 23 O-7s, 29 O-8s, 24 O-9s, and 15 O-10s.²¹ The non-JSOs filling 40 percent of critical JDAs are officers qualified enough to have earned these ranks. They likely have JP1/ME I, may have previous joint experience, and are “quality” officers by the promotion comparison rules that ensure a fair share of top-quality officers go to JDAs.²²

Third, one of the latter rules, that officers must serve in a JDA before promotion to O-7, works as a disincentive to returning JSOs to critical JDAs—better to fill that position with a competitive officer who has not yet served in a JDA if he or she is otherwise qualified.

²⁰ Throughout our interviews, combatant commands stated repeatedly that the JSO designation is a hollow distinction and not necessary for most positions. None of the commands indicated that they actively seek JSOs to fill positions. Many stated that [their commands] could function without JSOs.

²¹ JDAL 2002A

²² These rules are specified in Title 10, Section 619a, which requires service in a JDA before promotion to O-7, and promotion comparison rules of Title 10, Section 662, Promotion Policy Objectives for Joint Officers.

Fourth, critical JDAs are competing for the very best officers at the most demanding point in their careers. JSOs become eligible for critical JDA assignment at the exact time they are being selected for O-5 command, senior service college, promotion to O-6, and O-6 command. If the UCC does not insist on filling the critical JDA with a JSO, the service will not insist on sending one because they have other duties for their officers.

Fifth, general or flag officer leaders in joint organizations frequently override critical JDA designations to place an officer they have personally selected in a critical JDA, regardless of whether that officer is or is not a JSO. Personnel managers credit the general or flag officers with knowing what is best and believe that they cannot afford the time and trouble to second-guess the judgment of a senior officer in a distant headquarters.²³

JSO production or JPME II throughput is not a cause of empty critical JDAs. The Army has 1,550 JSOs at grades O-4 through O-6 (353 of them assigned to joint commands) to fill the 293 critical JDAs at those grades for which the Army is responsible. However, only 93 are in critical JDAs, meeting 32 percent of the Army's requirement. The Navy has 1,090 JSOs with which to fill 147 critical JDAs. Both services send JSOs and nominees to the joint commands in larger numbers than the critical JDAs they are responsible for filling.²⁴

JSOs, JPME II, and Critical JDAs—A System?

There is a latent demand for special joint expertise in joint organizations, and especially in JTF headquarters, but that demand is not being met by the current JOM system. The genesis of this issue is due to managing JSOs and critical JDAs primarily according to numerical targets and without more rigorous reference to joint matters. Accordingly, senior officers and supervisors are not enthusiastic about the JSO concept, but they are not indifferent to an officer's joint skills and experience. They especially favor previous joint experience and education in plans officers and in officers in key leadership positions in JTFs.²⁵ As a senior officer put it, "During [a recent combat operation], we missed the opportunity to integrate what all the services bring. *If we had had people with the right education and training, the folks doing the planning would have seen that and taken the right steps to fix it.*"²⁶ (Emphasis added.)

²³ Interviews with supervisors and personnel managers in the service headquarters and UCCs.

²⁴ "Independent Study of Joint Officer Management and Joint Professional Military Education," unclassified briefing presented to Booz Allen by the Navy Staff, 14 November 2002; "Joint Officer Management," unclassified briefing presented by the Army Personnel Command to Booz Allen, 19 December 2002.

²⁵ A summary of JTF experience, including interviews of 10 former JTF commanders, is provided in Appendix I.

²⁶ Interview with an active duty O-10.

Because non-JSOs have filled critical JDAs and performed satisfactorily, some officers conclude that the JSO/critical JDA concept is unnecessary and artificial.²⁷ Because it is also difficult to manage, they believe it should be discontinued.

JOM is indeed difficult for the services to manage. Future combat commanders in all services have demanding career requirements with little room for joint schooling and assignments. They must also fill their share of other competing requirements. The services must manage joint duty within the smaller group of their best officers. As one indication of the difficulties of this challenge, today's JDAL is 9 percent larger than in 1987; but today's active duty officer corps at grades O-4 and above is 18 percent smaller.²⁸

JSOs and critical JDAs appear to be valid, useful concepts that require better definition, clearer understanding, and integrated management in order to assess their real value in terms of advancing joint warfighting. Many positions in every joint organization call for specialized skill and previous experience. This requires DoD to take a strategic approach that steps back from its focus on numerical reporting targets in law and begins to define what is actually required to advance joint warfighting. On this basis, significant improvements can be made within current law, and a cogent argument developed for legislative update.

²⁷ Interviews at the UCCs.

²⁸ 1997-2002 Joint Duty Assignment Lists and Officer Personnel End-Strength Data numbers looked at over time, DoD.

4. RECOMMENDATIONS: A STRATEGIC APPROACH TO JOM/JPME

JOM/JPME requires an update in practice, policy, and law to meet the demands of a new era. DoD should take a strategic approach that places JOM/JPME in the broader context of developing the officer corps for future joint warfare and proceeds in a deliberate, systematic, and disciplined way suggested by workforce management.²⁹ This approach should posture DoD for working effectively with the Congress on such action as may be needed. The Secretary of Defense and Chairman, JCS currently have sufficient authority in law to undertake the approach recommended.

DEVELOPMENT AND USE OF JOINT SPECIALTY OFFICERS

The concept of the JSO appears valid and useful but is so loosely defined and managed that effectiveness is difficult to judge. As part of a strategic approach to JOM/JPME, DoD should —

- Define a JSO in joint warfighting terms
- Identify and classify JDAs in similar terms (see below)
- Assign JSOs and JSO-nominees to JDAs that require their background and experience and have developmental value
- Develop JSO career paths in each service that mix and balance service and joint experience in a manner that produces a seasoned joint warfighter at the senior ranks, ideally a JTF commander and, later, a unified commander.

Identification and Classification of JDAs

To identify and classify JDAs in terms of their relationship to joint warfighting, DoD should develop working definitions for “critical” and “required” positions. Notional definitions are as follows:

- **Critical.** The position is critically related to joint matters. The occupant holds full-time, staff or command responsibility for the integrated employment of forces or the associated strategy, planning, or C2. (Positions might include the unified commander, deputy commander, chief or director of staff, J-3, J-5, J-6, and key leadership positions within those directorates.)
- **Required.** The position is directly related to joint matters. The occupant participates full-time (or frequently) and directly in the integrated employment of forces or the associated strategy, planning, and C2. (Positions might include most of the directors, J-1 through J-9; most officers from the J-3 and J-5 directorates; and some key leadership positions in each directorate.)

²⁹ A more detailed example of developing such an approach is at Appendix C.

- **Associated.** The position is associated with joint matters. The occupant participates indirectly and/or occasionally in the integrated employment of forces or the associated strategy, planning and C2. (Positions might include most JDAs in directorates other than J-3 and J-5; unified commanders' personal and special staffs; and many positions in OSD and the defense agencies.)³⁰

As part of a strategic approach to JOM/JPME, DoD should—

- Identify all JDAs that meet the critical definition
- Designate the 800 that best meet the definition of critical
- Initiate a similar process to identify the required positions
- No longer allocate critical JDAs as a fixed percentage of all joint organizations' JDAs
- Retain the mandated fill by general or flag officers of a substantial number of critical JDAs as prescribed by Title 10, Section 661 (d) (3)
- Initiate a more thorough analysis of current and emerging joint organizations structures to—
 - Produce a new JDAL that more properly reflects the joint warfighting roles of organizations and individuals at all levels³¹
 - Identify as JDAs permanent, nonhost-service positions in service headquarters that have a joint functional role
- Develop new rules for cumulative credit toward a JDA tour in joint headquarters below the UCC level
- Seek to update Title 10, Sections 661 (d) (1) and 661 (d) (2) (A) to establish more realistic goals for JSO production.

The Mix and Sequencing of JSO Assignments

To accommodate JSO careers that mix service and joint experience to produce a thoroughly competent joint commander at the senior level, more flexibility is required than exists now. As part of a strategic approach to JOM/JPME, DoD should—

³⁰ See Appendix A, Task 4.4.1, for more detail. As recommended there, current positions on the JDAL that are not designated as critical or required would remain on the JDAL for the time being as "associated" positions. These positions would qualify an officer for promotion to O-7, but not as a JSO.

³¹ The methodology for analysis of JDAs recommended in 1997 by the LMI Study could be adapted to this task, but should incorporate the definitions of critical, required, and associated recommended here.

- Seek legislative update to better recognize significant joint experience below the UCC level, such as in JTF headquarters
- Seek legislative update to recognize a JDA served for the full DoD tour length in a remote area, if at least 12 months long, as a full JDA
- Seek legislative update of Title 10, Section 661 (c)(1)(B), which requires a JSO's qualifying JDA to occur after JPME II³²
- Wholly revise policies and practice with regard to accumulated credit to make applying for, receiving, and recording accumulated credit easy; no officer has ever been awarded JDA credit for JTF headquarters service.

Joint Professional Military Education II

Career paths such as those recommended above should be supported by a different structure for JPME II, both richer and with more options.³³ The most important criterion is that JPME II thoroughly prepare officers for subsequent assignments in which they direct the integrated employment of capabilities and forces as staff officers in key joint positions or as commanders in joint headquarters. JPME II should be specialized, advanced, professional education that prepares selected officers for such service. As part of a strategic approach to JOM/JPME, DoD should —

- Convert the JFSC to a full academic year, intermediate-level, resident joint staff college for 300 students
- Authorize the service intermediate- and senior-level colleges to establish parallel JPME II resident elective programs to be accredited by the Chairman, JCS.³⁴

³² Title 10, Section 661 (c)(2)(A) exempts officers in a critical occupational specialty (COS) from the sequence requirement. Section 661 (c) (3) (A) allows the Secretary of Defense to waive the sequence requirement for other officers as part of the 10 percent of officers in a paygrade in a year that may receive waivers. When JSO career paths are established that include at least one subsequent JDA, these rules should be eliminated. The sequence does not matter for developmental purposes.

³³ Several feasible alternatives to this situation have been examined and are compared in Appendix A, in Tasks 4.10.7 and 4.11.3.

³⁴ The service colleges are capable of delivering the JPME II curriculum, yet no current service college program meets JPME II standards: a joint curriculum focused on joint matters, control by the Chairman, JCS, and balanced student and faculty mixes. All would require significant adjustments to establish accredited programs in their colleges. Such programs are unlikely to have a harmful effect on the service core competence of officers, schools, or forces and would enrich the professional climate of each PME school.

This investment should be made because —

- The emergence of joint warfare warrants a military academic institution chartered to study it from a joint perspective and educate some future military leaders about it³⁵
- It provides multiple options, more conducive to flexible career paths, for acquiring JPME II
- A genuinely joint, flagship institution provides the standard for comparing service JPME II programs and ensuring that they remain genuinely joint
- Such programs will provide legitimacy to the particular education of joint specialists, who would be schooled in a manner equivalent and synchronous to their peers
- The manpower tax on the joint commands and temporary duty expenses of the current system would end.

JPME II should not be converted to a distance learning program because —

- Personal interaction is a teaching vehicle that builds mutual understanding of each other's service and the trust and confidence critical to JSOs
- Daily, face-to-face critique of peers and teachers and immediate opportunity for introspection and internalization produce a more focused and intense learning experience
- Nonresident education creates an unavoidable competition for an officer's time, attention, and energy between duty and family on the one hand and homework on the other
- Resident education is more conducive to developing professional values and critical and creative thought.

JSO Qualification Before Promotion to General or Flag Officer

If JSOs were developed and used as recommended, the requirement for all officers to qualify as JSOs before promotion to general or flag rank would become unnecessary. Although there are potential benefits of such a requirement, it is inconsistent with an overall strategic approach that anchors JOM/JPME in the actual joint warfighting

³⁵ Neither of the senior colleges of NDU performs this mission. The National War College (NWC) studies national security strategy in all its dimensions. The Industrial College of the Armed Forces (ICAF) studies national resource strategy and logistics. Both address joint warfighting but only as one part of each school's broader mandate

requirements of the Armed Forces. The general rule established in Title 10, Section 619a, that officers promoted to general or flag rank first serve in a JDA should remain

JOM/JPME and the Reserve Component

As part of its overall strategic approach to JOM/JPME, DoD should —

- Implement a joint officer management program for RC officers
- Provide a robust menu of nonresident training in joint skills to RC officers serving in joint positions
- Allow RC officers who have the time and personal career flexibility to meet JSO qualification requirements to be designated as JSOs
- Analyze the joint tables of mobilization distribution (JTMD) that authorize RC officers in joint organizations using the same definitions of Critical, Required, and Associated to determine a JSO requirement for RC officers.

Roles of the Secretary of Defense and the Chairman, Joint Chiefs of Staff

The Secretary of Defense and Chairman, JCS, have clear roles and sufficient authority to undertake the strategic approach to updating JOM/JPME that seems necessary. The strategic approach should be guided and approved by the Secretary; led by the Chairman, JCS; and codified in updated law, regulation, and policy that establish and sustains the refined balance of joint and service interests.

Changes to Statutes

The recommended strategic approach and many specific improvements to JOM/JPME can be undertaken within current law. The recommendations of this study have been consolidated in Appendix B. However, an objective of a DoD strategic approach should be to identify and encode in law those requirements that will ensure the appropriate balance of interests between joint and service matters, if not those currently in law. DoD should be able to make a holistic, clear, and compelling case for all changes in terms of the original purposes of the law, the current and future joint requirements that necessitate change, and the retention of control over joint assignments by the Secretary of Defense and Chairman, JCS.

CONCLUSION

The implications of proposed operational and organizational concepts for JOM/JPME are that change is warranted to better develop the officer corps for joint warfare. Such change should be undertaken as part of an overall strategic approach to developing the officer corps for joint warfare and should be led by the Secretary of Defense and Chairman, Joint Chiefs of Staff.

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Total Force,
Committee on Armed Services, House of
Representatives

For Release on Delivery
Expected at 2 p.m. EST
Wednesday, March 19, 2003

MILITARY PERSONNEL

**Preliminary Observations
Related to Income, Benefits,
and Employer Support for
Reservists During
Mobilizations**

Statement of Derek B. Stewart, Director, Defense
Capabilities and Management



GAO-03-549T

March 19, 2003

GAO Highlights

Highlights of GAO-03-549T, a testimony before the Subcommittee on Total Force, Committee on Armed Services, House of Representatives

Why GAO Did This Study

Since the end of the Cold War, there has been a shift in the way reserve forces have been used. Previously, reservists were viewed primarily as an expansion force that would supplement active forces during a major war. Today, reservists not only supplement but also replace active forces in military operations worldwide.

Citing the increased use of the reserves to support military operations, House Report 107-436 accompanying the Fiscal Year 2003 National Defense Authorization Act directed GAO to review compensation and benefits for reservists. In response, GAO is reviewing (1) income protection for reservists called to active duty, (2) family support programs, and (3) health care access. For this testimony, GAO was asked to discuss its preliminary observations. GAO also was asked to discuss the results of its recently completed review concerning employer support for reservists.

What GAO Recommends

GAO is not making new recommendations at this time, but past reports have contained GAO's views on actions that should be taken to improve reservists' access to military health care benefits and to improve the effectiveness of outreach programs and other aspects of reservist-employer relations. DOD generally concurred with these recommendations and has taken some actions.

www.gao.gov/cgi-bin/getpl?GAO-03-549T. To view the full report, including the scope and methodology, click on the link above. For more information, contact Derek B. Stewart at (202) 512-5140 or stewartd@gao.gov.

MILITARY PERSONNEL

Preliminary Observations Related to Income, Benefits, and Employer Support for Reservists During Mobilization

What GAO Found

The preliminary results of our review indicate that reservists experience widely varying degrees of income loss or gain when they are called up for a contingency operation. While income loss data for current operations Noble Eagle and Enduring Freedom were not available, data for past military operations show that 41 percent of drilling unit members reported income loss, while 30 percent reported no change and 29 percent reported an increase in income. This information is based on self-reported survey data for mobilizations or deployments of varying lengths of time. As would be expected, the data indicate that certain groups, such as medical professionals in private practice, tend to report much greater income loss than the average estimated for all reservists.

Although reservists called up to support a contingency operation are generally eligible for the same family support and health care benefits as active component personnel, reservists and their families face challenges in understanding and accessing their benefits. Among the challenges, reservists typically live farther from military installations than their active duty counterparts, are not part of the day-to-day military culture, and may change benefit eligibility status many times throughout their career. Some of these challenges are unique to reservists; others are also experienced by active component members but may be magnified for reservists. Outreach to reservists and their families is likely to remain a continuing challenge for DOD in the areas of family support and health care, and we expect to look at DOD's outreach efforts in more detail as we continue our study.

Outreach is also a critical component of maintaining and enhancing employers' support for reservists. Although DOD has numerous outreach efforts, we found that a sizeable number of reservists and employers were unsure about their rights and responsibilities. For example, a 1999 DOD survey found that 31 percent of employers were not aware of laws protecting reservists. Several factors have hampered DOD's outreach efforts to both employers and reservists. However, DOD is taking positive actions in this area, such as moving ahead with plans to collect employer data from all reserve personnel.

Families of mobilizing reservists face challenges in understanding and accessing military benefits.



Source: DOD

United States General Accounting Office

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss reserve personnel income, benefits, and employer support. My remarks focus on the more than 870,000 "selected" reservists¹ who generally drill and train part-time with their military units (referred to in this testimony as drilling unit members). These reservists may be involuntarily called to federal active duty under various provisions of law. They may also be placed voluntarily on active duty for training and other purposes. Since the 1991 Persian Gulf War, reservists have been mobilized or deployed to a number of contingency operations, including operations Noble Eagle and Enduring Freedom and operations in Kosovo, Bosnia, Southwest Asia, and Haiti. As of early March 2003, 193,270 reservists were supporting current contingency operations.

Citing the increased use of the reserves to support military operations, House Report 107-436 accompanying the Fiscal Year 2003 National Defense Authorization Act directed us to review compensation and benefit programs for reservists. Our review is ongoing, but today I would like to present preliminary observations based on our review in three areas: (1) income protection for reservists called to active duty, (2) family support programs, and (3) health care access.² All three of these issues are potential areas of concern to a reservist called to active duty for a contingency operation. We plan to issue a final report on these three issues later this year. In addition, you have asked us to discuss the results of our recently completed review concerning employer support for reservists, another potential area of concern to mobilized or deployed reservists.³ Finally, Mr. Chairman, while the legislation directed us to review the retirement system for the reserves, we have not yet begun that work. As discussed with your offices, we plan to review the reserve

¹ Unless specified, we use the terms "reserves" and "reservists" to refer to the collective forces of the Air National Guard, Army National Guard, the Army Reserve, the Naval Reserve, the Marine Corps Reserve, and the Air Force Reserve. We did not include the Coast Guard Reserve in our review.

² We plan to address compensation issues in other reviews. For example, we have an ongoing review of special and incentive pays for reservists who perform duty in the polar regions.

³ U.S. General Accounting Office, *Reserve Forces: DOD Actions Needed to Better Manage Relations between Reservists and Their Employers*, GAO-02-608 (Washington, D.C.: June 13, 2002).

retirement system in the future. While we have not conducted a detailed review of this issue, I would like to offer some observations.

Before discussing these issues in more detail, I would like to note that one of the Department of Defense's (DOD) guiding principles for military compensation is that servicemembers—both reservists and active component members—be treated fairly. Military compensation for reservists is affected by the type of military duty they perform. In peacetime—when a reservist is on active duty for training or on military duty not related to a contingency operation—certain thresholds are imposed at particular points in service before a reservist is eligible to receive the same compensation as a member serving full-time. For contingency operations, these same thresholds generally do not apply. Reservists activated for contingency operations such as Noble Eagle and Enduring Freedom are generally eligible to receive the same compensation and benefits as active component personnel. I should also note here that in a recent report comparing the benefits offered by the military with those offered in the private sector, we found no significant gaps in the benefits available to military personnel.⁴

To date, we have met with and gathered information from DOD officials in the Office of the Assistant Secretary of Defense for Reserve Affairs, the Office of Military Compensation, the Office of Family Policy, the National Guard Bureau, the Army National Guard, the Air National Guard, the Army Reserve, the Air Force Reserve, the Naval Reserve, the Marine Corps Reserve, the TRICARE Management Activity, the National Committee for Employer Support of the Guard and Reserve, and other organizations. We obtained the results and DOD's preliminary analysis of the 2000 Survey of Reserve Component Personnel.⁵ We reviewed DOD proposals concerning income loss. We also reviewed DOD's progress in implementing recommendations that we made in prior reports.

Let me turn now to the specific issues.

⁴ U.S. General Accounting Office, *Military Personnel: Active Duty Benefits Reflect Changing Demographics, but Opportunities Exist to Improve*, GAO-02-935 (Washington, D.C.: Sept. 18, 2002).

⁵ The population of interest targeted by the survey consisted of all Selected Reserve members of the reserve components below flag or general officer rank, with at least 6 months of service when the surveys were first mailed in August 2000. The sample consisted of 74,487 members. Eligible respondents returned 35,223 completed surveys.

Summary

The preliminary results of our review indicate that reservists experience widely varying degrees of income loss or gain when they are called up for a contingency operation. While income loss data for current operations Noble Eagle and Enduring Freedom were not available, data for past military operations show that 41 percent of drilling unit members reported income loss, while 30 percent reported no change and 29 percent reported an increase in income. This information is based on self-reported survey data for mobilizations or deployments of varying lengths of time. DOD's analysis of the data shows that, as would be expected, certain groups, such as medical professionals in private practice, tend to report much greater income loss than the average estimated for all reservists.

Although reservists called up to support a contingency operation are generally eligible for the same family support and health care benefits as active component personnel, reservists and their families face challenges in understanding and accessing their benefits. Among the challenges, reservists typically live farther from military installations than their active duty counterparts, are not part of the day-to-day military culture, and may change benefit eligibility status many times throughout their career. Some of these challenges are unique to reservists; others are also experienced by active component members but may be magnified for reservists. Outreach to reservists and their families is likely to remain a continuing challenge for DOD in the areas of family support and health care. We will continue to look at DOD's outreach efforts as we complete our study.

Outreach is also a critical component of maintaining and enhancing employers' support for reservists. Although DOD has numerous outreach efforts in this area, we found that a sizeable number of reservists and employers were unsure about their rights and responsibilities. For example, a 1999 DOD survey found that 31 percent of employers were not aware of laws protecting reservists. Our recent work has shown that several factors, such as the lack of data on reservists' employers, have hampered DOD's outreach efforts to both employers and reservists. However, DOD is taking positive actions in this area, such as moving ahead with plans to collect employer data from all reserve personnel.

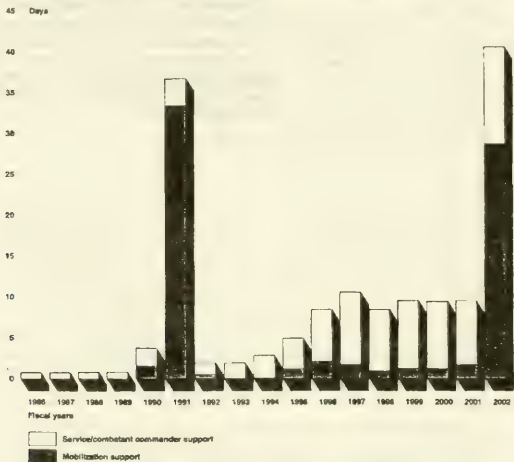
Reservists have identified income loss, family burdens, and employer support as serious concerns during prior mobilizations and deployments. However, it is unclear how the problems reservists experience in these areas affect their overall satisfaction with military life and, ultimately, their decision to stay in the military or leave.

Background

Since the end of the Cold War, there has been a shift in the way reserve forces have been used. Previously, reservists were viewed primarily as an expansion force that would supplement active forces during a major war. Today, reservists not only supplement but also replace active forces in military operations worldwide.⁶ In fact, DOD has stated that no significant operation can be conducted without reserve involvement. As shown in figure 1, reserve participation in military operations spiked in fiscal years 1991 (Desert Shield and Desert Storm) and 2002 (Noble Eagle and Enduring Freedom).

⁶ The average reservist trains 38 or 39 days per year. In addition to this training, some reservists provide support for counter-drug operations, domestic emergencies, exercises, and established and emerging operations, including those involving either presidential call-up or mobilizations.

Figure 1: Annual Number of Days Per Capita for Reserve Mobilizations and Support to the Services and Combatant Commands (Fiscal Years 1986-2002)



Source: GAO.

Notes: Analysis of Office of the Assistant Secretary of Defense for Reserve Affairs data.

This figure includes the contributions of the Coast Guard Reserve.

Mobilizations are operations using the Presidential Selected Reserve Call-up or mobilization authorities. Support of the services or combatant commands is mission assistance provided under voluntary orders and includes both contingency operations and other missions. The figure excludes days for training as well as support for counter-drug operations, exercises, and domestic emergencies.

Per capita calculations are derived by dividing the total days of support for these missions by the end strength of the Selected Reserve. However, force structure within the selected reserves qualifies only a portion of those available to serve for a particular mission. Despite this, the data highlight trends in the average number of support days served by reservists.

There have been wide differences in the operational tempos⁷ of individual reservists in certain units and occupations. Prior to the current mobilization, personnel in the fields of aviation, special forces, security, intelligence, psychological operations, and civil affairs were in high demand, experiencing operational tempos that were two to seven times higher than those of the average reservist. Since September 2001, operational tempos have increased significantly for reservists in all of DOD's reserve components due to the partial mobilization in effect to support operations Noble Eagle and Enduring Freedom.

For each year between fiscal years 1997 and 2002, the reserves on the whole achieved at least 99 percent of their authorized end strength. In 4 of these 6 years, they met at least 100 percent of their enlistment goals. During this time period, enlistment rates fluctuated from component to component. Overall attrition rates have decreased for five of DOD's six reserve components.⁸ Between fiscal years 1997 and 2002, only the Army National Guard experienced a slight overall increase in attrition. The attrition data suggest there has not been a consistent relationship between a component's average attrition rate for a given year and the attrition rate for that component's high demand capabilities (which include units and occupations). Attrition rates for high demand capabilities were higher than average in some cases but lower for others. Aviation in the Army National Guard, for instance, has had higher than average attrition for 4 of the 5 years it was categorized as a high demand capability.

Reservists Have Reported Widely Varying Degrees of Income Loss Or Gain

Preliminary analysis of income changes reported by reservists who mobilized or deployed for past military operations indicates that they experienced widely varying degrees of income loss or gain. The source for this analysis is DOD's 2000 Survey of Reserve Component Personnel, which predates the mobilization that began in September 2001. The data show that 41 percent of drilling unit members reported income loss during their most recent mobilization or deployment, while 30 percent reported no change and 29 percent reported an increase in income (see table 1).

⁷ For this testimony, operational tempo refers to the total days reservists spend participating in normal drills, training, and exercises, as well as domestic and overseas operational missions.

⁸ Attrition is the total number of personnel losses from the selected reserves divided by the average selected reserve end strength for the year.

Table 1: Drilling Unit Members' Total Reported Change in Income for Mobilizations or Deployments Prior to 2001

Income change	Percentage
Decreased \$50,000 or more	0.9
Decreased \$25,000 to \$49,999	1.5
Decreased \$10,000 to \$24,999	4.1
Decreased \$5,000 to \$9,999	6.0
Decreased \$2,500 to \$4,999	8.9
Decreased \$1 to \$2,499	19.5
No change in income	30
Increased \$1 to \$2,499	16.6
Increased \$2,500 to \$4,999	6.8
Increased \$5,000 or more	5.7

Source: DOD 2000 Reserve Component Survey

Based on the survey data, DOD estimated that the average total income change for all members (including losses and gains) was almost \$1,700 in losses. This figure should be considered with caution because of the estimating methodology that was used and because it is unclear what survey respondents considered as income loss or gain in answering this question.⁸ Further, reservists are mobilized or deployed for varying lengths of time, which can affect their overall income loss or gain. About 31 percent of all reservists who had at least one mobilization or deployment had been mobilized or deployed for less than 1 month. For the entire population, members spent an estimated 3.6 months mobilized or deployed for their most recent mobilization.

DOD's preliminary analysis of the survey data show that certain groups reported greater losses of income on average. Self-employed reservists reported an average income loss of \$6,500. Physicians/registered nurses, on the whole, reported an average income loss of \$9,000. Physicians/registered nurses in private practice reported an average income loss of \$25,600. Income loss also varied by reserve component and pay grade group. Average self-reported income loss ranged from \$600 for members of the Air National Guard up to \$3,800 for Marine Corps Reservists. Senior officers reported an average income loss of \$5,000

⁸ The 2000 survey asked respondents: "Please estimate your (and your spouse's) total income change from all sources as a result of your most recent mobilization and deployment. If you (and your spouse) have continuing losses from a business or practice, include those in your estimate."

compared with \$700 for junior enlisted members. When asked to rank income loss among other problems they have experienced during mobilization or deployment, about half of drilling unit members ranked it as one of their most serious problems.¹⁰ DOD's preliminary analysis presents little data on those groups who reported overall income gain. Two groups who were identified as reporting a gain were clergy and those who worked for a family business without pay.

Concerns were raised following the 1991 Gulf War that income loss would adversely affect retention of reservists. According to a 1991 DOD survey of reservists activated during the Gulf War, economic loss was widespread across all pay grades and military occupations. In response to congressional direction,¹¹ DOD in 1996 established the Ready Reserve Mobilization Income Insurance Program, an optional, self-funded income insurance program for members of the Ready Reserve ordered involuntarily to active duty for more than 30 days. Reservists who elected to enroll could obtain monthly coverage ranging from \$500 to \$5,000 for up to 12 months within an 18-month period. Far fewer reservists than DOD expected enrolled in the program. Many of those who enrolled were activated for duty in Bosnia and, thus, entitled to almost immediate benefits from the program. The program was terminated in 1997 after going bankrupt. We reported in 1997 that private sector insurers were not interested in underwriting a reserve income mobilization insurance program due to concerns about actuarial soundness and unpredictability of the frequency, duration, and size of future call-ups.¹² Certain coverage features would violate many of the principles that private sector insurers usually require to protect themselves from adverse selection. These include voluntary coverage and full self-funding by those insured, the absence of rates that differentiated between participants based on their likelihood of mobilization, the ability to choose coverage that could result in full replacement of their lost income rather than those insured bearing some loss, and the ability to obtain immediate coverage shortly before an insured event occurred. According to DOD officials, private sector

¹⁰ The survey listed 22 possible problems and asked respondents to choose their top three most serious problems experienced during mobilization or deployment.

¹¹ See section 512, National Defense Authorization Act for Fiscal Year 1996 (P.L. 104-106, Feb. 10, 1996).

¹² U.S. General Accounting Office, *Reserve Forces: Observations on the Ready Reserve Mobilization Income Insurance Program*, GAO/T-NSIAD-97-154 (Washington, D.C., May 8, 1997).

insurers remain unsupportive of a new reserve income insurance mobilization program and the amount of federal underwriting required for the program is prohibitive. The Department has no plans to implement a new mobilization insurance program.

A 1998 study by RAND found that income loss, while widespread during the Gulf War, did not have a measurable effect on enlisted retention.¹³ The study was cautiously optimistic that mobilizing the reserves under similar circumstances in the future would not have adverse effects on recruiting and retention. However, the effects of future mobilizations can depend on the mission, the length of time reservists are deployed, the degree of support from employers and family members, and other factors.

Certain federal protections, pay policies, and employer practices can help to alleviate financial hardship during deployment. For example, the Soldiers' and Sailors' Civil Relief Act caps debt interest rates at 6 percent annually. Income that servicemembers earn while mobilized in certain combat zones is tax-free. For certain operations, DOD also authorized reservists to receive both full housing allowances and per diem for their entire period of activation. In addition, some employers make up the difference between civilian and military pay for their mobilized employees. This practice varies considerably among employers. Servicemembers can also obtain emergency assistance in the form of interest-free loans or grants from service aid societies to pay for basic living expenses such as food or rent during activation. DOD is exploring debt management alternatives, such as debt restructuring and deferment of principle and interest payments, as ways to address income loss. The Army has proposed a new special pay targeting critical health care professionals in the reserves who are in private practice and are deployed involuntarily beyond the established rotational schedule.

¹³ RAND, *The Effect of Mobilization on Retention of Enlisted Reservists After Operation Desert Shield/Storm*, MR-943-OSD (1998). The study did not include officers.

Reservists and Their Families Face Challenges in Understanding and Accessing Family Support Services

Reservists who have been activated for previous contingency operations have expressed concerns about the additional burdens placed on their families while they are gone. More than half of all reservists are married and about half have children or other legal dependents. According to the 2000 survey, among the most serious problems reservists said they experienced when mobilized or deployed are the burden placed on their spouse and problems created for their children.

The 1991 Gulf War was a milestone event that highlighted the importance of reserve family readiness. Lessons learned showed that families of activated reservists, like their active duty counterparts, may need assistance preparing wills, obtaining power of attorney, establishing emergency funds, and making child care arrangements. They may also need information on benefits and entitlements, military support services, and information on their reemployment rights. DOD has recognized that family attitudes affect reserve member readiness, satisfaction with reserve participation, and retention. Military members who are preoccupied with family issues during deployments may not perform well on the job, which in turn, negatively affects the mission. Research has shown that families of reservists who use family support services and who are provided information from the military cope better during activations. Under a 1994 DOD policy, the military services must "ensure National Guard and Reserve members and their families are prepared and adequately served by their services' family care systems and organizations for the contingencies and stresses incident to military service."

Although activated reservists and their family members are eligible for the same family support services as their active duty counterparts, they may lack knowledge about or access to certain services. The 2000 DOD survey suggests that more than half of all reservists either believe that family support services are not available to them or do not know whether such services are available. Table 2 shows drilling unit members' responses on the availability of selected programs and services.

Table 2: Reservists' Views on Availability of Selected Family Support Programs or Services

Percentage of drilling unit members			
Program/service	Available off installation, on installation or both	Not available	Don't know
Services for families during separation	25	13	62
Crisis referral services	15	17	68
Financial counseling/management education	22	16	61
Family support centers	35	14	51

Source: DOD 2000 Reserve Component Survey.

Note: Rows may not add to 100 percent due to rounding.

According to DOD officials, operations Noble Eagle and Enduring Freedom have highlighted the fact that not all reserve families are prepared for potential mobilization and deployment. They told us that since many families never thought their military members would be mobilized, families had not become involved in their family readiness networks. DOD has found that the degree to which reservists are aware of family support programs and benefits varies according to component, unit programs, command emphasis, reserve status, and the willingness of the individual member to receive or seek out information. Results from the 2000 DOD survey show that about one-fourth of drilling unit members said their arrangements for their dependents were not realistically workable for deployments lasting longer than 30 days. Furthermore, about 4 of every 10 drilling unit members thought it was unlikely or very unlikely that they would be mobilized or deployed in the next 5 years. Again, this survey predates the events of September 11, 2001, and the ensuing mobilization.

Among the key challenges in providing family support are the long distances that many reservists live from installations that offer family support services, the difficulty in persuading reservists to share information with their families, the unwillingness of some reservists and their families to take the responsibility to access available information, conflicting priorities during drill weekends that limit the time spent on family support, and a heavy reliance on volunteers to act as liaisons between families and units. In 2000, about 40 percent of drilling unit members lived 50 miles or farther from their home units.

DOD has recognized the need for improved outreach and awareness. For example, the Department has published benefit guides for reservists and family members and has enhanced information posted on its Web sites. DOD published a "Guide to Reserve Family Member Benefits" that informs family members about military benefits and entitlements and a family readiness "tool kit" to enhance communication about pre-deployment and mobilization information among commanders, servicemembers, family members, and family program managers. Each reserve component also established family program representatives to provide information and referral services, with volunteers at the unit level providing additional assistance. The U.S. Marine Corps began offering an employee assistance program in December 2002 to improve access to family support services for Marine Corps servicemembers and their families who reside far from installations. Through this program, servicemembers and their families can obtain information and referrals on a number of family issues, including parenting, preparing for and returning from deployment; basic tax planning; legal issues; and stress. Notwithstanding these efforts, we believe, based on our review to date, that outreach to reservists and their families will likely remain a continuing challenge for DOD.

Challenges in Accessing DOD Health Care Benefits Are Magnified for Reservists

Reservists who are mobilized for a contingency operation are confronted with health care choices and circumstances that are more complex than those faced by active component personnel. Reservists' decisions are affected by a variety of factors—whether they or their spouses have civilian health coverage, the amount of support civilian employers would be willing to provide with health care premiums, and where they and their dependents live. If dependents of reservists encounter increased future difficulties in maintaining their civilian health insurance due to problems associated with longer mobilizations and absence from civilian employment, they may rely on DOD for their health care benefits to a greater degree than they do today.

When activated for a contingency operation, reservists and their dependents are eligible for health care benefits under TRICARE, DOD's managed health care program. TRICARE offers beneficiaries three health care options: Prime, Standard, and Extra. TRICARE Prime is similar to a private HMO plan and does not require enrollment fees or co-payments. TRICARE Standard, a fee-for-service program, and TRICARE Extra, a preferred provider option, require co-payments and annual deductibles. None of these three options require reservists to pay a premium. Benefits under TRICARE are provided at more than 500 military treatment facilities worldwide, through a network of TRICARE-authorized civilian providers,

or through non-network physicians who will accept TRICARE reimbursement rates.

Reservists who are activated for 30 days or less are entitled to receive medical care for injuries and illnesses incurred while on duty. Reservists who are placed on active duty orders for 31 days or more are automatically enrolled in TRICARE Prime and receive most care at a military treatment facility. Family members of reservists who are activated for 31 days or more may obtain coverage under TRICARE Prime, Standard, or Extra.¹⁴ Family members who participate in Prime obtain care at either a military treatment facility or through a network provider. Under Standard or Extra, beneficiaries must use either a network provider or a non-network physician who will accept TRICARE rates.

Upon release from active duty that extended for at least 30 days, reservists and their dependents are entitled to continue their TRICARE benefits for 60 days or 120 days, depending on the members' cumulative active duty service time. Reservists and their dependents may also elect to purchase extended health care coverage for a period of at least 18, but no more than 36, months under the Continued Health Care Benefit Program.

Despite the availability of DOD health care benefits with no associated premium, many reserve family members elect to maintain their civilian health care insurance during mobilizations. In September 2002, we reported that, according to DOD's 2000 survey, nearly 80 percent of reservists reported having health care coverage when they were not on active duty. Of reservists with civilian coverage, about 90 percent maintained it during their mobilization.¹⁵ Reservists we interviewed often told us that they maintained this coverage to better ensure continuity of health benefits and care for their dependents. Many reservists who did drop their civilian insurance and whose dependents did use TRICARE

¹⁴ Until last week, family members of reservists generally became eligible for Prime when the reservist was activated for 179 days or more. Legislation passed in December (P.L. 107-314, Sec. 702) made family members of reservists activated for more than 30 days eligible for the Prime benefit if they reside more than 50 miles, or an hour's driving time, from a military treatment facility. Last week, the Defense Department altered TRICARE policy such that all family members of reservists activated for more than 30 days are eligible for the Prime benefit.

¹⁵ U.S. General Accounting Office, *Defense Health Care: Most Reservists Have Civilian Health Coverage but More Assistance Is Needed When TRICARE Is Used*, GAO-02-829 (Washington, D.C.: Sept. 6, 2002).

reported difficulties moving into and out of the system, finding a TRICARE provider, establishing eligibility, understanding TRICARE benefits, and knowing where to go for assistance when questions and problems arose. While reserve and active component beneficiaries report similar difficulties using the TRICARE system, these difficulties are magnified for reservists and their dependents. For example, 75 percent of reservists live more than 50 miles from military treatment facilities, compared with 5 percent of active component families. As a result, access to care at military treatment facilities becomes more challenging for dependents of reservists than their active component counterparts.

Unlike active component members, reservists may also transition into and out of TRICARE several times throughout a career. These transitions create additional challenges in ensuring continuity of care, reestablishing eligibility in TRICARE, and familiarizing or re-familiarizing themselves with the TRICARE system. Reservists are also not part of the day-to-day military culture and, according to DOD officials, generally have less incentive to become familiar with TRICARE because it becomes important to them and their families only if they are mobilized. Furthermore, when reservists are first mobilized, they must accomplish many tasks in a compressed period. For example, they must prepare for an extended absence from home, make arrangements to be away from their civilian employment, obtain military examinations, and ensure their families are properly registered in the Defense Enrollment Eligibility Reporting System (DOD's database system maintaining benefit eligibility status). It is not surprising that many reservists, when placed under condensed time frames and high stress conditions, experience difficulties when transitioning to TRICARE.

We recommended in September 2002 that DOD (1) ensure that reservists, as part of their ongoing readiness training, receive information and training on health care coverage available to them and their dependents when mobilized and (2) provide TRICARE assistance during mobilizations targeted to the needs of reservists and their dependents. DOD has added information targeted at reservists to its TRICARE Web site and last month, in response to our recommendation, developed a TRICARE reserve communications plan aimed at outreach and education of reservists and their families.

The TRICARE Web site is a robust source of information on DOD's health care benefits. The Web site contains information on all TRICARE programs, TRICARE eligibility requirements, briefing and brochure information, location of military treatment facilities, toll free assistance

numbers, network provider locations and other general network information, beneficiary assistance counselor information, and enrollment information. There is also a section of the Web site devoted specifically to reservists, with information and answers to questions that reservists are likely to have. Results from DOD's 2000 survey show that about 9 of every 10 reservists have access to the Internet.

The TRICARE reserve communications plan's main goals are to educate reservists and their family members on health care and dental benefits available to them and to engage key communicators in the active and reserve components. The plan identifies a number of tactics for improving how health care information is delivered to reservists and their families. Materials are delivered through direct mailing campaigns, fact sheets, brochures, working groups, and briefings to leadership officials who will brief reservists and to reservists themselves. The plan identifies target audiences and key personnel for information delivery and receipt. The plan identifies methods of measurement which will assist in identifying the degree information is being requested and received. We plan to look at the TRICARE reserve communications plan in more detail as we continue our study.

Under DOD authorities in the National Defense Authorization Acts for 2000 and 2001, DOD instituted several demonstration programs to provide financial assistance to reservists and family members. For example, DOD instituted the TRICARE Reserve Component Family Member Demonstration Project to reduce TRICARE costs and assist dependents of reservists in maintaining relationships with their current health care providers. Participants are limited to family members of reservists mobilized for operations Noble Eagle and Enduring Freedom. The demonstration project eliminates the TRICARE deductible and the requirement that dependents obtain statements saying that inpatient care is not available at a military treatment facility before they can obtain nonemergency treatment from a civilian hospital. In addition, DOD may pay a non-network physician up to 15 percent more than the current TRICARE rate. As we continue our study, we plan to review the results of the demonstration project and its impact on improving health care for reservists' family members.

DOD Actions Needed to Better Manage Relations Between Reservists and Their Employers

Most reservists have civilian jobs. The 2000 survey shows that 76 percent of drilling unit members worked full-time in a civilian job.¹⁶ Of those with civilian jobs, 30 percent of reservists worked for government at the federal, state, or local level; 63 percent worked for a private sector firm; and 7 percent were self-employed or worked without pay in their family business or farm. The 2000 survey shows that one of the most serious problems reported by reservists in previous mobilizations and deployments was hostility from their supervisor. It should be noted, however, that many employers changed company policies or added benefits for deployed reservists after September 11, 2001. In a small nonprojectable sample of employers, we found that more than half provided health care benefits and over 40 percent provided pay benefits that are not required by the Uniformed Services Employment and Reemployment Rights Act of 1994.¹⁷

Maintaining employers' continued support for their reservist employees will be critical if DOD is to retain experienced reservists in these times of longer and more frequent deployments. DOD has activities aimed at maintaining and enhancing employers' support for reservists. The National Committee for Employer Support of the Guard and Reserve serves as DOD's focal point in managing the department's relations with reservists and their civilian employers. Two specific functions of this organization are to (1) educate reservists and employers concerning their rights and responsibilities and (2) mediate disputes that may arise between reservists and their employers.

Although DOD has numerous outreach efforts, we have found that a sizeable number of reservists and employers were unsure about their rights and responsibilities. For example, a 1999 DOD survey found that 31 percent of employers were not aware of laws protecting reservists. In a recent report, we listed several factors that have hampered DOD's outreach efforts to both employers and reservists.¹⁸ DOD has lacked complete information on who reservists' employers are; it does not know the full extent of problems that arise between employers and reservists; and it has no assurance that its outreach activities are being implemented consistently. We recommended that DOD take a number of actions to

¹⁶ This figure does not include reservists who work as civilian military technicians.

¹⁷ Pub. L. 103-353 (Oct. 13, 1994), 38 U.S.C. (secs. 4301-4333).

¹⁸ GAO-02-608.

improve the effectiveness of outreach programs and other aspects of reservist-employer relations.

DOD concurred with most of these recommendations and has taken some actions. Most notably, DOD is moving ahead with plans to collect employer data from all of its reserve personnel. The data, if collected as planned, should help DOD inform all employers of their rights and obligations, identify employers for recognition, and implement proactive public affairs campaigns. However, DOD has not been as responsive to our recommendation that the services improve their compliance with DOD's goal of issuing orders 30 days in advance of deployments so that reservists can notify their employees promptly. While our recommendation acknowledged that it will not be possible to achieve the 30-day goal in all cases, our recommendation was directed at mature, ongoing contingency mobilization requirements, such as the requirements that have existed in Bosnia since 1995. We believe that DOD needs to return to its 30-day goal following the current crisis or it will risk losing employer support for its reserve forces.

I would like to take a moment, Mr. Chairman, to address the issue of reservists who are students. Almost one-fourth of drilling unit members responding to DOD's 2000 survey said they were currently in school. While DOD has an active program to address problems that arise between reservists and their civilian employers, there is no federal statute to protect students. Student members of the reserves are not guaranteed refunds of tuition and fees paid for the term they cannot complete, and there is no federal statute for partial course credit or the right to return to the college or university upon completion of active service. Based on our recent work, we recommended that DOD add students as a target population to the mission and responsibilities of the National Committee for Employer Support of the Guard and Reserve, study in depth the problems related to deployments that student reservists have experienced, and determine what actions the National Committee for Employer Support of the Guard and Reserve might take to help students and their educational institutions. We feel DOD is giving this issue an appropriate amount of attention given its resources. Employer Support of the Guard and Reserve volunteers are directing students to available resources and the Office of the Assistant Secretary of Defense for Reserve Affairs has added student information and hyperlinks to its official Web site. One available resource, for example, is the Servicemembers Opportunity

Colleges, which has volunteered to mediate any disputes that arise between reservists and their schools.¹⁹ In addition, 12 states have enacted laws or policies to protect student reservists since our report was issued last June, making a current total of 15 states with such laws or policies.

Observations on Reserve Retirement Age

The current reserve retirement system dates back to 1948 with the enactment of the Army and Air Force Vitalization and Retirement Equalization Act.²⁰ The act established age 60 as the age at which reserve retirees could start drawing their retirement pay. At the time the act was passed, age 60 was the minimum age at which federal civil service employees could voluntarily retire. Active component retirees start drawing their retirement pay immediately upon retirement.

Several proposals have been made to change the reserve retirement eligibility age. In 1988, the 6th Quadrennial Review of Military Compensation concluded that the retirement system should be changed to improve retention of mid-career personnel and encourage reservists who lack promotion potential or critical skills to voluntarily leave after 20 years of service. The study recommended a two-tier system that gives reserve retirees the option of electing to receive a reduced annuity immediately upon retirement or waiting until age 62 to begin receiving retirement pay. Recent legislative proposals have called for lowering the retirement pay eligibility age from 60 to 55, establishing a graduated annuity, or establishing an immediate annuity similar to that in the active duty military retirement system.

Mr. Chairman, I would like to make two observations about reforming the reserve retirement system.

First, equity between reservists and active duty personnel is one consideration in assessing competing retirement systems, but it is not the only one. Other important considerations are the impact of the retirement system on the age and experience distribution of the force, its ability to promote flexibility in personnel management decisions and to facilitate

¹⁹ The Servicemembers Opportunity Colleges is a consortium of national higher education associations and more than 1,500 colleges. The organization helps to coordinate postsecondary educational opportunities for servicemembers through voluntary programs that are funded by the military services.

²⁰ June 29, 1948, ch. 708, 62 stat. 1081.

integration between the active and reserve components, and the cost. Changes to the retirement system could prove to be costly. Last year, the Congressional Budget Office estimated that lowering the retirement pay eligibility age from age 60 to 55 would cost \$26.6 billion over 10 years.

Second, DOD currently lacks critical data needed to assess alternatives to the existing retirement system. According to a 2001 study conducted for the 9th Quadrennial Review of Military Compensation,²¹ DOD should (1) assess whether the current skill, experience, and age composition of the reserves is desirable and, if not, what it should look like now and in the future and (2) develop an accession and retention model to evaluate how successful varying combinations of compensation and personnel management reforms would be in moving the reserves toward that preferred composition. DOD has contracted with RAND and the Logistics Management Institute to study military retirement. RAND will review alternative military retirement systems recommended by past studies, develop a model of active and reserve retirement and retention, analyze their likely effects on the retirement benefits that individuals can expect to receive, and identify and analyze the obstacles and issues pertaining to the successful implementation and therefore the viability of these alternatives. The Logistics Management Institute will assess alternative retirement systems with a focus on portability, vesting, and equity. These studies are looking at seven alternatives to the reserve retirement system. Preliminary results from these studies are expected later this year. As discussed with your offices, we plan to review the reserve retirement system in the future.

Mr. Chairman, this completes our prepared statement. We would be happy to respond to any questions you or other members of the Subcommittee may have at this time.

²¹ RAND, *Reforming the Reserve Retirement System*, PM-1278-NDRI (Dec 2001).

Contacts and Acknowledgments

For future questions about this statement, please contact Derek B. Stewart at (202) 512-5140 (e-mail address: stewartd@gao.gov) or Brenda S. Farrell at (202) 512-3604 (e-mail address: farrellb@gao.gov). Individuals making key contributions to this statement include Christopher E. Ferencik, Michael Ferren, Thomas W. Gosling, Chelsa L. Kenney, Krislin M. Nalwalk, and Timothy Wilson.

**STATEMENT
OF THE
DEPUTY ASSISTANT
SECRETARY OF DEFENSE FOR
RESERVE AFFAIRS
(RESOURCES)
MS JENNIFER BUCK
BEFORE THE
TOTAL FORCE SUBCOMMITTEE
OF THE
HOUSE COMMITTEE ON ARMED SERVICES
IN CONNECTION WITH
AC/RC FORCE MIX
MARCH 19, 2003
2:00 P.M.**

FOR OFFICIAL USE ONLY
UNTIL RELEASED BY THE
HOUSE COMMITTEE ON ARMED SERVICES
TOTAL FORCE SUBCOMMITTEE

Ms. Jennifer C. Buck

**Deputy Assistant Secretary of Defense for Reserve Affairs
(Resources Deputate)**

Jennifer C. Buck was selected to be the Deputy Assistant Secretary of Defense for Reserve Affairs (Resources) in July 1994. Ms. Buck serves as the key advisor to the Assistant Secretary of Defense for Reserve Affairs in all financial management and resourcing matters relating to the Reserve components. In this capacity, she oversees Military Personnel, Operations & Maintenance, Military Construction, and Procurement appropriations which totaled more than \$27.7 billion in FY 2002. She is also responsible for managing the resources of the Reserve Affairs staff.



Since 1985, Ms. Buck has been a member of the Reserve Affairs staff, serving as Coordinator, Guard and Reserve Programs, and as the Director, Program & Budget. Prior to her assignment to the Office of the Secretary of Defense staff, she served as the Budget Officer for the Defense Contract Audit Agency from November 1983 to March 1985. Ms. Buck was the Chief, Civilian Manpower Budget Branch for the Naval Material Command from March 1981 to November 1983, coordinating the manpower budgets of more than 200,000 Navy civilians. She also was the Budget Officer for the Army National Guard from September 1979 to March 1981, responsible for all aspects of programming, budgeting and execution for the Army National Guard pay and operations appropriations. Ms. Buck began her federal career as a Management Intern (a precursor to the Presidential Management Intern program) at the Naval Sea Systems Command in July 1974. She served as a civilian manpower analyst at NAVSEA and at the Joint Cruise Missiles Project Office until September 1979.

Born in Bethesda, Maryland in January 1954, Ms. Buck is a rare native of the Washington metropolitan area. She graduated from the University of Virginia in 1974, and has done graduate work at George Washington University and George Mason University.

INTRODUCTION

Good afternoon, Mr. Chairman and members of the Subcommittee. Thank you for the opportunity to testify before you today. I look forward to providing you with information about recent deliberations on the appropriate mix of Active and Reserve forces to meet the Department's missions and responsibilities. I will emphasize the contributions that the National Guard and Reserve can make to the national defense.

Since the end of the Cold War, the Reserve components have been an integral part of every significant military operation. Reserve component support has increased from 1.4 million duty days in fiscal year (FY) 1989 to nearly 13 million duty days in FY 2001. The Guard and the Reserve will continue to play an important role in the future. There is considerable evidence, however, that the balance of capabilities in the Active and Reserve components today may not be the best for the future. Changes are needed in force mix, mission assignments, and in management systems in order to more effectively fulfill the mission of the Department of Defense.

The Department conducted a review of active and reserve force mix, directed by the 2001 Quadrennial Defense Review which addressed how the contributions of the Guard and Reserve—in both new and traditional roles and missions—can enhance the capability of the Total Force. The following is a summary of these findings.

Transforming the Reserve Components

Two overarching themes have become the basis for our approach to how the Reserve components can transform to meet the challenges of a rapidly changing security environment and a new capabilities-based defense strategy. They are:

Rebalancing to Enhance Capabilities. The Military Services can expand the capabilities of the Total Force by rebalancing existing force structure and reassigning the missions of existing force structure to take advantage of the core competencies of both the Active and Reserve forces.

Creating Flexibility in Force Management. Current force management policies and systems make it difficult for the Services to operate in truly efficient and flexible ways. The Department must begin to manage the force in a way that is consistent with how it will be used in the future.

Many structure shortages can be addressed through a wide range of management actions, including changing planned deployment schedules, introducing innovative management practices, and making force structure changes. Changing the force mix, however, is the most costly action that the Department can take, with the longest lead time to achieve results.

Expanding Force Capability through Rebalancing

Rebalancing the existing force structure within current end strength can enhance force capabilities. The Services may realize greater agility and flexibility in the force by changing the allocations of capabilities between Active and Reserve components. Our review identified several areas for the Services to explore.

Resolving Constraints and Imbalances

Demands on the military are creating constraints and imbalances in force capabilities that

can lead to shortages in some areas. For inherently military skills that are needed on a full-time or continuing basis, such as Air Force security forces, additional active duty manpower is needed, and the Air Force is addressing ways to move resources to cover these requirements. If these military skills are needed intermittently or for surge requirements, such as linguists, then a larger Reserve component rotational pool should be created. If the shortages are in civilian acquired skills, such as information technology specialists, that are hard to develop and retain in the Active force, the Department should increase the rotational pool in the Reserve components and use innovation in the management of that population to maximize their retention and utilization.

The FY 04 Budget contains some force structure changes that will help to reduce current force imbalances. The Army, for example, has requested an increase of one active Civil Affairs company, an active Psychological Operations company, and one Army Special Operations MH-47 aviation battalion, and an Army Reserve Civil Affairs battalion. The Navy is creating an active unit within the Navy Coastal Warfare community to relieve the personnel tempo requirements placed on reserve units. The Marine Corps will convert two Air and Naval Gunfire Liaison companies from reserve to active to address shortfalls in capabilities required early in deployments. To address its shortage of security forces, the Air Force has expanded its use of technology, increased the number of active security forces, and, thanks to the recent legislative change, contracted for civilian guard support. Commencing in FY 03, The Air Force also stood up a truly blended AC/RC unit at Robbins Air Force Base to perform the Joint Surveillance and Target Attack Radar System mission. The FY 04 budget proposes to fund three new C-17 associate units in the Air Force Reserve, and to expand the F-16 fighter associate program into the maintenance shops.

Meeting Requirements for Emerging Missions

The United States faces a wide range of emerging missions that present tremendous challenges to the Department of Defense. They include homeland security, high-technology mission areas, and experimentation.

Defense of the Homeland. While often associated exclusively with the Reserve components, defense of the homeland is a Total Force mission. While major combat operations remain the basis for building force structure, the future Total Force will have to be more flexible and agile to respond to homeland defense requirements as well. For example, the Air National Guard has historically been responsible in the air defense or air sovereignty mission. When increased threat levels require a surge in higher operational tempo, the Air Guard could share the load with other Service or component aviation units—both active and reserve. A “rotational watch” construct, drawing from assets from the Active and Reserve components, could help preserve capabilities to meet both homeland security and other continuing military operations.

High Technology Operations. The Reserve components enhance DoD’s access to expertise for rapidly expanding high-technology capabilities and other unique private sector functions, such as information operations. Further, new technological advances have increased the type and number of functions that can be conducted at sites far away from the battlefield. “Reachback” support from the continental United States enhances the ability of both Active and Reserve components to contribute to overseas operations. The FY 04 budget proposes funding to continue the Joint Reserve Virtual Information Operations program, in which reservists support combatant commanders’ requirements at three U.S. based locations.

Experimentation. The predictability, tempo, and timing of experiments make them well suited for a more focused role for Reserve components, alleviates the burden on Active component

forces, and reduces the cancellation risks which may occur if active units need to be diverted for quick-response contingencies.

Changing Priorities for Traditional Missions

While new and emerging missions tend to receive a great deal of attention in the planning process, the Department must continue to be prepared to carry out traditional missions. These include major combat operations, small scale contingencies, and forward presence. The new defense strategy may require a new approach to meeting these missions, including changes to the role and contribution of the Reserve components. Reconfiguring heavy combat forces in the Army, for example to more flexible, multi-purpose units, and utilizing lower levels of combat and combat support roundout integration would simplify peacetime training requirements, and reduce the mobilization timelines. Using innovative approaches to create or expand the use of multi-component units will allow the Services to gain greater flexibility in managing operational and personnel tempo, capitalize on the strengths and capabilities of each component to sustain a larger, more experienced pool of personnel to meet surge or wartime tasks.

Sharing the responsibilities for small scale contingencies, the Active Forces would shoulder most of the responsibility for the rapid-response phase and the reserves would take on responsibility for follow-on phases, as the predictability of the operation increases. The Reserve components have participated in operational missions such as Northern and Southern Watch, Multinational Forward Observers in the Sinai Peninsula, Bosnia, and Kosovo. Through these experiences, the Guard and Reserve have proven that they are a cost-effective means to sustain military capability that better manages the operational tempo of the Total Force and preserves force readiness for rapid response operations. Their role in future overseas presence operations, utilizing intermittent or rotational voluntary tours is a viable option.

Creating Flexibility in Force Management

While the Reserve components have become a significant element of the Total Force, there is a limit to how much the reserves can be asked to do, particularly through involuntary mobilizations. They are part-time citizen soldiers who must balance their duty to country with responsibilities to civilian careers. As a result, care must be taken in the frequency of involuntary reserve call-ups. Changing the force mix is only one aspect of the actions that the Department needs to take. Creating a more flexible force management system will give the Department the opportunity to utilize the capabilities in the Guard and Reserve through a "Continuum of Service" which matches the availability of the service member with the operational requirements of the Department. Some of the necessary changes are legislative, and the Department's FY 04 Omnibus Legislative package contains the initial batch of these requests. The preponderance of the changes, however, are policy related. Some relate to the need to streamline the mobilization process to improve responsiveness. Others require the introduction of innovative management techniques to enhance volunteerism to provide trained, ready individual reservists and crews who can respond immediately without requiring mobilization, and expanding the use of reachback to reduce the footprint in theater through virtual connectivity to home station locations. And finally, the Department needs to overhaul and simplify its duty statuses and access rules, and develop a sliding scale of benefits and entitlements that are consistent for all members and are commensurate with levels of participation.

Again, thank you very much for this opportunity to testify. I stand ready to respond to your questions.

TESTIMONY OF

THE
NAVAL RESERVE ASSOCIATION

BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
TOTAL FORCE SUBCOMMITTEE

ON
MARCH 19, 2003

The Navy Reserve Association

"An association is not necessary to protect the Naval Reserve from the Naval Establishment, but is vitally needed to cooperate with the Navy in the solution of the many and complex problems that arise in the administration of a Navy composed of both regular and reserve career personnel." NRA Resolution, #1, 1954

With association roots that can be traced back to 1919, the Naval Reserve Association (NRA) is devoted solely to service to the Nation, Navy, the Naval Reserve and Naval Reserve officers. It is the premier national education and professional organization for Naval Reserve officers, and the Association Voice of the Naval Reserve!

Full membership is offered to officers who have held Naval Commissions; WO-1 through O-10, however NRA members come from all ranks and components.

NRA has over 22,000 members from all fifty states. Forty-five percent of the Naval Reserve Association membership is drilling and active reservists and the remaining fifty-five percent are made up of reserve retirees, and involved civilians. The National Headquarters is located at 1619 King Street Alexandria, VA. 703-548-5800. Our point of contact is Ike Puzon, Director of Legislation.

DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Naval Reserve Association does not currently receive, has not received during the current fiscal year, or either of two previous years, any federal money for grants. The Association has accepted federal money solely for Naval Reserve Recruiting advertisement in our monthly magazine. All other activities and services of the Association's are accomplished free of any direct federal funding.

OPENING STATEMENT -

Chairman McHugh, Congressman Synder, and distinguished members of the subcommittee, on behalf of the 86,000 active Naval Reservists and the mirrored interests of all members of the guard and reserve components, we are grateful for the opportunity to submit testimony.

A popular fad in the press is to write about the plight of the mobilized Reservist. These articles emphasize the anxiety of being away from work and or family. As was stated in Wall Street Journal, "The activation of tens of thousands of military reservists is beginning to interrupt careers and disrupt workplaces on a scale not seen in more than a decade."¹

In the press today, a climate of despair is painted about the Reservist. Focus is on the needless hardship for members of the Guard and Reserve, for their families and for their employers. The Naval Reserve Association would like to dispel this Myth. In defense of the Reservists, our indication is that there are a statistical few that complain about their circumstances. Portrayed as a predicament by the press, most Reservists, instead, view mobilization as an opportunity to serve their country. Reservists are serving their country in uniform proudly, and are not complaining. They do have concerns similar to anyone in uniform.

If Reservists have an Achilles' heel, it is how often they are willing to sacrifice family and employment to serve their country, unexpectedly. Reservists have shown us time and time again that they'll volunteer when asked, despite the impact of their personal and professional life. This service beyond self is not appreciated by many on the Active side or in DoD.

Since 1990, the Active Duty services have grown languorous from a diet of contributory assistance, recall, and mobilization support. The number of contributory man-days has risen from 1 million in the late 1980's to nearly 13 million a year over the past few years. Rather than confront budget appropriators, the Active Components have been content to fill their force shortfalls with Reserve manpower.

"Part-time reservists are being turned into full-time soldiers and airmen through extended and unpredictable active-duty assignments," Congressman David Hobson (OH-7) said in a letter to Secretary of Defense Rumsfeld, last year. "The services are not properly manned to conduct this new type of war in which we now find ourselves, and the Reserves are bearing the brunt."²

"If we want to have a total force, if we want that concept to work, we've got to be respectful of the fact that people in the Reserves and the Guard have jobs. And they're perfectly willing to be called up, but they only want to be called up when they're needed

¹ Massive Call-Up of Reservists disrupts Careers, Workplaces; Kemba J. Dunham, Kris Maher and Greg Jaffe, Wall Street Journal, Feb. 18, 2003.

² Citizen: Soldiers Report Long Tours, Little Support, Gregg Zoroya, USA Today, Jan 16, 2003

and for something that's a real job. And they prefer not to get jerked around and called up two or three or four months before they're needed and then found they're not needed and sent back home with a "sorry about that," said Secretary of Defense Rumsfeld in a speech in late January.³

If there is a raw nerve among Reservists, it is caused by how individuals are being utilized, and how often that individual is being called up. Pride and professionalism is a large factor in the profile of a Reservist, as it is with any member of the Armed Services. They want to be used how they have been trained, and they want to complement the Active Forces. Too often, they have been called up to do a marginal job, or stand weekend or night watches allowing active members time off. In situations like this, we often hear from our members that the active duty personnel of a particular command are not working overtime. The model used by the Navy calls for active duty personnel to be working a sixty hour work week before Reservists would be involuntarily recalled to active duty. Quite often, the requirement for recall is nothing more than to fill in the gaps in existing active duty manning. Recall and proper use of reservists needs constant monitoring and attention. We agree that transformation of legacy personnel manpower programs is overdue. But, Reserve Component involvement in personnel transformation is mandatory.

Another raw nerve among Reservists is attempts by the Navy to deny individuals their full entitlements. Over and over, Reservists are asked to make a voluntary mid to long term commitment of combining drills with multiple sets of 29 day orders. There is an institutional bias to issuing Reservists one set of orders for longer than 30 days thereby denying them greater entitlements. We strongly believe that this is an injustice to the individual and his/her employer that Congress should question. Recent testimony by the Under Secretary of Defense indicates some entitlements may change, however, a continuum of entitlements for all Armed Services members is due in today's military.

Over a year ago, Deputy Assistant Secretary of Defense for Reserve Affairs meet with the Military Reserve Associations and asked how frequently is it acceptable to recall Reservists? His hope was an answer measured in years that could be programmed into a formula. Reservists are not inventory numbers, but individuals. On the first recall they will answer smartly, on the second recall they will do their duty, by the third they start believing the press reports.

In today's American way of war, the way a Reservist is used and recalled is vital to successful military operations, and essential to gaining the will of America. As Deputy Secretary of Defense Paul Wolfowitz has said, "How we manage our Reserve Components will determine how well we as a nation are prepared to fight, today and tomorrow."⁴

³ Remarks by Secretary of Defense Donald H. Rumsfeld to the Reserve Officers Association 2003 Mid-Winter Conference and 18th Annual Military Exposition, Washington, DC, January 20, 2003.

⁴ Remarks by Deputy Secretary of Defense Paul Wolfowitz, to the Reserve Officers Association 2002 National Conference, Philadelphia, PA, June 20, 2002.

The question we are asking is: "Are today's DoD legislative initiatives taking us in the right direction for a sound Military and a strong National Defense, and meeting the National Security Strategy?" We hope that DoD is learning lessons from the past to avoid repeating mistakes in the future, and the Naval Reserve Association stands ready to assist in turning lessons learned into improved policy.

Again, thank you for this opportunity. Details of specific concerns by our Association on DoD initiatives follow, we hope you can help address them:

DEPARTMENT OF DEFENSE INITIATIVES:

Roles and Missions

A Pentagon study has highlighted that the Guard and Reserve structure, today, is an inherited Cold War relic. As a result, the Guard and the Reserve organization has become the focus of "transformation." While it won't be denied that there could be a need for change, transformation for transformation sake could be disadvantageous. Visionaries need to learn lessons from the past, assimilate the technology of the future, and by blending each, implement changes that improve warfighting. Transformation is needed to move forward and ensure a Total Force that includes a strong Guard and Reserve.

The Reserve Component as a worker pool.

Issue: The view of the Reserve Component that has been suggested within the Pentagon is to consider the Reserve as of a labor pool, where Reservist could be brought onto Active Duty at the needs of a Service and returned, when the requirement is no longer needed. It has also been suggested that an Active Duty member should be able to rotate off active duty for a period, spending that tenure as a Reservist, returning to active duty when family, or education matters are corrected.

Position: The Guard and Reserve should not be viewed as a temporary-hiring agency. Too often the Active Component views the recall of a Reservist as a means to fill a gap in existing active duty manning. Voluntary recall to meet these requirements is one thing, involuntary recall is another.

The two top reasons why a Reservist quits the Guard or Reserve is pressure from family, or employer. The number one complaint from employers is not the activation, but the unpredictability of when a Reservist is recalled, and when they will be returned.

100% mission ownership.

Issue: Department of Defense is looking at changing the reserve and active component mix. "There's no question but that there are a number of things that the United States is

asking its forces to do," Rumsfeld said. "And when one looks at what those things are, we find that some of the things that are necessary, in the course of executing those orders, are things that are found only in the Reserves."

Position: America is best defended through a partnership between the government, the military and the people. The Naval Reserve Association supports the continued recognition of the Abrams Doctrine, which holds that with a volunteer force, we should never go to war without the involvement of the Guard and Reserve, because they bring the national will of the people to the fight. While a review of mission tasking is encouraged, the Active Component should not be tasked with every mission, and for those it shares, no more heavily than their Reserve counterparts.

Historically, a number of the high percentage missions gravitated to the Reserve components because the Active Forces treated them as collateral duties. The Reserve has an expertise in some mission areas that are unequaled because Reservists can dedicate the time to developing skills and mission capability, and sharing civilian equivalencies, where such specialization could be a career buster on Active Duty.

Augmentees:

Issue: As a means to transform, a number of the services are embracing the concept that command and unit structure within the Reserve Component is unnecessary. Reservists could be mustered as individual mobilization augmentees and be called up because often they are recalled by skills and not units.

Position: An augmentee structure within the Naval Reserve was attempted in the 1950's/1960's, and again in the 1980's. In one word: Failure! Reservists of that period could not pass the readiness test. The image of the Selected Reservists, sitting in a Reserve Center reading a newspaper originates from the augmentee era. Some semblance of structure is needed on a military hierarchy. Early on, Naval Reservists created their own defense universities to fill the training void caused by mission vacuum.

Combining Active and Reserve Appropriations:

Issue: The FY04 Defense budget request makes it clear that OSD intends to consolidate all pay and O&M accounts into one appropriation per service. These consolidations would require various legislative changes before they would become law. The rationale for the consolidations is to provide greater flexibility for the Active chiefs to move monies from the Reserve and Guard pay accounts to fund Active component pay and O&M shortfalls. Managing fewer appropriations would also make managing pay and O&M easier.

Position: The Naval Reserve Association strongly opposes the proposed consolidation of all Guard, Reserve and Active pay into one service pay appropriation. We similarly oppose the proposed consolidation of all Guard, Reserve and Active operations and maintenance accounts into one service O&M appropriation. While we support seeking efficiencies wherever possible, we view the proposed "business" consolidation as ill conceived, misrepresented as inefficient, and as an attempt to reduce Congressional oversight. We oppose it for a variety of other reasons, as well.

Under current law, the Reserve chiefs are the directors for their respective Reserve pay and O&M appropriations. Public Law 90-168, as amended by the FY97 NDAA, vested in the Reserve Chiefs full management and control of their respective Reserve financial resources. Consolidating Reserve and Active pay into one appropriation would divest the Reserve chiefs of this authority and preclude their executing the programs and responsibilities, and maintaining the readiness mandated by Congress.

Much of the Guard and Reserve annual training occurs during the fourth quarter of a fiscal year, the same time frame when the Active components are most likely to run short of funds and to desire to use Reserve pay and O&M to fund their own shortfalls. Allowing the Active components the "flexibility" to use Reserve funds whenever they need to pay Active component bills means that somewhere a Reserve soldier will not be paid or a Reserve unit, Reservist will not be trained for mobilization or receive the specialized training needed for promotion, and ultimately retention. The Active Component will have flexible funding at the cost of Reserve Readiness.

Inferred changes to DOPMA and ROPMA:

Issue: It has been suggested within a DoD Roles and Missions study that promotions in the Reserve Component need not be tied to Active Duty promotion rates. It was further stated that allowing a skilled Reservist to remain at a certain mid-grade rank enlisted or officer rank longer would allow that individual to perform a vital mission longer.

Position: While NRA might support a change to the "promote up or out " policy; we in no way endorse having the Selected Reserve become an advancement wasteland.

Issue: Secretary Rumsfeld has also publicly stated that he has the Personnel & Readiness office looking at how DoD can get the benefit of people in a specific job longer, and how we can have people increase the number of total years they serve if they want to. He is willing to extending military careers beyond 60 years of age.

Position: While current policy permits individual waivers to retain certain skill sets, the Naval Reserve Association feels that authorizing changes to the length of tenure would have a negative impact and a rippling effect. History has shown time and again, if senior leaders are not encouraged to retire, there will be a retention collapse in the middle ranks, which erodes the long-term future of a component force. Few are so skilled, that a junior member can't fill the position with similar qualifications.

Pay and Compensation

Issue: A premature release of information in the form of a Naval Reserve survey, revealed a DoD initiative to end "two days pay for one days work," and replace it with a plan to provide 1/30 of a Month's pay model, which would include both pay and

allowances. Even with allowances, pay would be less than the current system. When concerns were addressed about this proposal, a retention bonus was the suggested solution to keep pay at the current levels.

Position: Allowances differ between individuals and can be affected by commute distances and even zip codes. Certain allowances that are unlikely to be paid include geographic, housing, education benefits, travel and adjustments for missing Healthcare.

The Naval Reserve Association holds reservations with a retention bonus as a supplemental source. Being renewed annually bonuses tend to depend on the national economy, deficit, and political winds. Further, would this bonus just be grandfathered to current Reservists, with some future generation forfeiting the bonus as an income source?

As one Reservist said, "With the nonreimbursed expenses for commuting and training, I could afford to drill at one days pay."

Healthcare

Healthcare readiness is the number one problem in mobilizing Reservists. The governments own studies show that between 20-25% of Guardsmen and Reservists are uninsured.

We applaud the efforts of the TRICARE Management Activity. TMA has a strong sense of which the customer is. They emphasize communications, and are proactive at working with the military associations. NRA would like to see a continued effort at:

- Ensuring quality coverage for mobilized Reservist to provide continuity of healthcare.
- Seeking consistency of how TRICARE is implemented for mobilized Reservists and families between regions, and
- Establishing a TRICARE Health plan for uninsured drilling Reservists, similar to the successful SELRES Dental Program.

Business Initiative:

Issue: Many within the Pentagon feel that business models are the panacea to perceived problems with in military structure.

Position: Reservists have the unique perspective of holding two careers; many with one foot in business and one foot in the military. The Naval Reserve Association suggests caution rather than rush into business solutions. Attempted many times in the past, business models have failed in the military even with commands that proactively support.

Among the problems faced are:

Implementing models that are incompletely understood by director or recipient.

Feedback failure: "Don't tell me why not; just go do it!"

The solution is often more expensive than the problem. Overburdened middle management attempting to implement.

Cultural differences.

While textbook solutions, these models frequently fail in business, too.

Retirement: Age 55.

Issue: A one sided debate is being held through the press on whether changes should be allowed to Guard and Reserve to lower the retirement payment age. At a recent Pentagon press conference, Thomas F. Hall, the Assistant Secretary of Defense for Reserve Affairs, said he has "thought a lot about" lowering reserve retirement age. Hall said it would be "expensive" and might encourage Reservists to leave the workforce at too young an age. The Defense Department is now studying the issue to be part of a report to Congress next year.

Position: Over the last two decades, more has been asked of Guardsmen and Reservists than ever before. The nature of the contract has changed; Reserve Component members would like to see recognition of the added burden they carry. Providing an option that reduces the retired with pay age to age 55 carries importance in retention, recruitment, and personnel readiness.

Most military associations are hesitant to endorse this because they envision money would be taken out of other entitlements, benefits, and Guard and Reserve Equipment budgets. The Naval Reserve Association suggests an approach to this issue that would not be that "expensive."

The Naval Reserve Association recommends for discussion/debate that Reserve Retirement with pay prior to age 60 be treated like taking Social Security retirement early -- if you elected to take it at say age 55, you take it at an actuarially reduced rate.

Most of the cost projected by DoD is for TRICARE healthcare, which begins when retirement pay commences. Again, if one takes Social Security before reaching age 65 they are not eligible for Medicare. NRA suggests that TRICARE for Reservists be decoupled from pay, and eligibility remains at age 60 years. With Social Security as a model, Reservists understand the nature of offsetting payments. The real expense in this proposal would be the administrative startup costs and whatever would be lost in interest crediting in the retirement trust fund.

Retention concerns should be set aside. Commissioned officers typically reach ROMPA limits at age 53. While enlisted are allowed to drill to age sixty, many in the Navy are limited by High Year Tenure policies that take them out of pay before then. When this happens, many submit their retirement without pay requests.

At a minimum, hearings should be held to broaden the debate.

DEPARTMENT OF THE NAVY INITIATIVES

Temporary Recall of Reserve Officers (Three Years or Less)

Issue: To properly match the Reserve officer's exclusion from the active duty list as provided for by 10 U.S.C. 641(1)(D) with a corresponding exclusion from the authorized grade strengths for active duty list officers in 10 U.S.C. 523. Without this amendment, the active component would have to compensate within their control grades for temporary recalled Reserve officers who are considered, selected and promoted by RASL promotion selection boards. This compensation causes instability in promotion planning and a reduction in "career" ADL officer eligibility and promotion for each year a Reserve officer remains on "temporary" active duty. Therefore, Naval Reservists are temporarily recalled to active duty and placed on the ADL for promotional purposes. End result – failure of selection due to removal from RASL peer group.

Position: Strongly support grade strength relief for the small percentage of Reserve officers who would possibly be promoted while serving on temporary active duty. Granting relief is a Win - Win situation. By removing the instability in promotion planning for the active component, Reserve officers can be issued recall orders specifying 10 USC 641 (1)(D) allowing them to remain on the RASL for promotion purposes.

Equipment Ownership

Issue: An internal study by the Navy has suggested that Naval Reserve equipment should be returned to the Navy. At first glance, the recommendation of transferring Reserve Component hardware back to the Active component appears not to be a personnel issue. However, nothing could be more of a personnel readiness issue and is ill advised. Besides being attempted several times before, this issue needs to be addressed if the current National Security Strategy is to succeed.

Position: The overwhelming majority of Reserve and Guard members join the RC to have hands-on experience on equipment. The training and personnel readiness of Guard and Reserve members depends on constant hands-on equipment exposure. History shows, this can only be accomplished through Reserve and Guard equipment, since the training cycles of Active Components are rarely if ever - synchronized with the training or exercise times of Guard and Reserve units. Additionally, historical records show that Guard and Reserve units with hardware maintain equipment at or higher than average material and often better training readiness. Current and future war fighting requirements will need these highly qualified units when the Combatant Commanders require fully ready units.

Reserve and Guard units have proven their readiness. The personnel readiness, retention, and training of Reserve and Guard members will depend on them having Reserve equipment that they can utilize, maintain, train on, and deploy with when called upon.

Depending on hardware from the Active Component, has never been successful for many functional reasons. The NRA recommends strengthen the Reserve and Guard equipment in order to maintain -- highly qualified trained Reserve and Guard personnel.

Closure of Naval Reserve Activities:

Issue: A proposal has been made, suggesting that a large number of Naval Reserve Centers and Naval Air Reserve Activities be closed, and that Naval Reservists could commute to Fleet Concentration Areas to directly support gaining commands and mobilization sites.

Position: The Naval Reserve Association is opposed to this plan for the following reasons.

- A. The Naval Reserve is the one Reserve component that has Reserve Activities in every state. To close many of these would be cutting the single military tie to the civilian community.
- B. The demographics of the Naval Reserve is that most of the commissioned officers live on the coasts, while most of the enlisted live in the hinterland, middle America. The Naval Reservists who are paid the least would have to travel the farthest.
- C. The active duty concept of a Naval Reserve is a junior force, a structure based upon enlisted (E1-E3s) and officers (O1 - O2's) billets that can't be filled because the individuals haven't left the fleet yet. When the Coast Guard "transformed" its Reserve force, it was a forced a restructuring that RIFFed many senior officer and enlisted leadership from the USCGR ranks, and caused a number of years of administrative problems.
- D. If training at fleet concentration centers was correctly implemented, the Navy should bear the expense and burden of transportation and housing while on site. Additionally, at locations such as Naval Station Norfolk, the overlap of Active Duty and Reserve training has shown an increased burden on Bachelor Quarters and messing facilities. Frequently, Reservists must be billeted out on the economy. With these extra costs, training would prove more expensive.
- E. Such a plan would devastate the Naval Reserves; retention would plummet, training and readiness would suffer.

Replacement of Full Time Staff (TARs) with Active Duty "Station Keepers"

Issue: Another suggested initiative would to the replacement of Full Time Staff (TARs) with Active Duty "Station Keepers".

Position: This has failed in the past, because the Active Navy doesn't commit its best or it's brightest to administer Reservists. It is not viewed as career enhancing, and those

who complete the assignments tend to do poorly before competitive promotion boards. The assignments tend to often gravitate to unqualified second and third string players who are dead-ended in their careers, and Reservists retention, recruitment, readiness and morale tend to suffer.

CONCLUSION:

The Four "P's" can identify the issues that are important to Reservists: Pay, Promotion, Points, and Pride.

Pay needs to be competitive. As Reservists have dual careers, they have other sources of income. If pay is too low, or expenses too high, a Reservist knows that time may be better invested elsewhere.

Promotions need to be fairly regular, and attainable. Promotions have to be through an established system and be predictable.

Points reflect a Reservist's ambitions to earn Retirement. They are as creditable a reinforcement as pay; and must be easily tracked.

Pride is a combination of professionalism, parity and awards: doing the job well with requisite equipment, and being recognized for ones efforts. While people may not remember exactly what you did, or what you said, they will always remember how you made them feel.

If change is too rapid in any of these four, anxiety is generated amid the ranks. As the Reserve Component is the true volunteer force, Reservists are apt to vote with their feet. Reservists are a durable resource only if they are treated right. Current conditions about the world highlights the ongoing need for the Reserve Component as key players in meeting National Security Strategy, we can't afford to squander that resource.



**STATEMENT
BY**

**CMSGT (RET.) JAMES E. LOKOVIC
DEPUTY EXECUTIVE DIRECTOR AND
DIRECTOR, MILITARY AND GOVERNMENT RELATIONS
AIR FORCE SERGEANTS ASSOCIATION**

FOR THE

**HOUSE COMMITTEE ON ARMED SERVICES
TOTAL FORCE SUBCOMMITTEE**

GUARD/RESERVE RETIREMENT

MARCH 19, 2003

AIR FORCE SERGEANTS ASSOCIATION

5211 Auth Road, Suitland, Maryland 20746

(800) 638-0594 or (301) 899-3500

E-mail: staff@afsahq.org Home Page: www.afsahq.org

****A participating organization in The Military Coalition****

DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Air Force Sergeants Association (AFSA) does not currently receive, nor has the association ever received, any federal money for grants or contracts. All of the association's activities and services are accomplished completely free of any federal funding.

* * * * *

Mr. Chairman and distinguished committee members, on behalf of the 136,000 members of the Air Force Sergeants Association, thank you for this opportunity to offer our views on the issue of Guard and Reserve retirement. This issue became a much-discussed one during the final year of the 107th Congress. During 2002, legislation introduced by Rep. Jim Saxton, R-NJ, (H.R. 3831 last Congress) garnered 160 co-sponsors in about an eight-month period. It also generated an incredible amount of excitement in the field, as individual Guard and Reserve members and many of their commanders told us that it is certainly the right thing to do. The FY 2003 NDAA addressed the issue by calling for a DoD examination of all aspects of Guard and Reserve compensation to include the retirement program. This statement is to provide several observations about the debate that we hope this committee will consider in its deliberations. At the start of the 108th Congress, Rep. Saxton reintroduced the legislation as H.R. 742.

Equity With Other Federal Employees: AFSA and the hundreds of Guardsmen and Reservists we have heard from call for age-55 retirement as an equity issue. *These servicemembers deserve parity at least with other federal retirees.* Age 55 retirement would do that. Keep in mind that Rep. Saxton's legislation would lower the earliest retirement age from 60 to 55. Yet, reserve component members are the only federal retirees who must wait until age 60 to collect retired pay. Equity would dictate that we treat reserve component members fairly. It is bad enough that Guard and Reserve members (who "voluntarily" subject themselves to unlimited liability) cannot begin retirement once they have satisfied the requisite number of "good years." *What is worse is that they must wait until age 60, oftentimes well over a decade after military service before they can collect retirement.*

Cost Prohibitive? Clearly, the primary Administration opposition to this effort is to avoid paying out additional retirement dollars. However, government claims that the initiative is cost-prohibitive (equity aside), assume (1) immediate retirement of those between the ages of 55 and 60, and (2) immediate, maximum use of the military health care system by all who become eligible to retire at age 55. It is notable that only one-third of DoD and CBO cost estimates are for increases in retirement dollar outlays. *Two-thirds of the estimated cost is due to assumed maximum health care costs.* However, a September 2002 GAO report (GAO-02-829) shows that over 80 percent of Guardsmen and Reservists already have employer-provided health care insurance. It is very unlikely that these members will either immediately quit their civilian jobs or forgo their employer-provided health care insurance.

In fact, their employer-funded health care would become first payer before TRICARE; thereby greatly reducing actual government health care costs for these individuals.

Guard/Reserve Retirement Pay is Relatively Low: We ask the committee to keep in mind that Guard and Reserve retirement is based on points accumulated from duty and training. Guard and Reserve retirement is a fraction of that paid to active duty members. The point here is that we must not confuse Guard and Reserve retirement with the dollar amounts we speak of when considering active duty members.

Guard and Reserve Members Part of Total Force: These members deserve the consideration of retirement as early as age 55. As you know, Guard and Reserve members are now integrated seamlessly into this nation's Armed Forces. In fact, tens of thousands of Reserve and Guard members have now been mobilized in support of Operations Enduring Freedom and Noble Eagle, efforts that clearly could not succeed without their invaluable contribution.

Advantages of Earlier Retirement: The current system *stagnates the force* by stifling career advancement. Because the reserve component primarily promotes by vacancy, those who are over 55 but not yet 60 occupy slots that could otherwise provide upward mobility for others. Additionally, some reservists continue serving past age 55 only to accumulate a few more points to factor into their retirement pay equation (which is significantly lower than active duty military retired pay). Many do this strictly because they are not permitted to collect retired pay prior to age 60.

Mr. Chairman, AFSA and the vast majority of those serving in the field for Guard and Reserve tell us that this change is long overdue. We sincerely believe that passing this initiative is one of fairness and equity (and not merely a budgetary burden). We strongly believe that the time has now come for Congress to take the lead on behalf of reserve component members. ***We urge you to support the effort to lower the earliest Guard and Reserve retirement age from 60 to 55, with full annuity.*** As always, this association is ready to work with you on this and other matters of mutual concern.

(end)

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

MARCH 19, 2003

Received of the Hon. the Secy. of the Navy

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QUESTIONS SUBMITTED BY MR. COOPER

Mr. COOPER. What are the statistics on people discharged other than honorably for domestic violence reasons?

Secretary ABELL. Unfortunately, statistics on people discharged for other than honorable conditions for domestic violence are not currently maintained in any one database. However, once the Defense Incident Based Reporting System (DIBRS) is fully operational, it will capture this data. The estimated time frame for DIBRS to be fully operational is 2005–2006.

FISCAL YEAR 2004 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST FOR THE DEFENSE HEALTH PROGRAM AND THE NEXT GENERATION OF TRICARE CONTRACTS AND TRICARE RETAIL PHARMACY CONTRACTS

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
TOTAL FORCE SUBCOMMITTEE,
Washington, DC, Thursday, March 27, 2003.

The subcommittee met, pursuant to call, at 1:55 p.m., in room 2118, Rayburn House Office Building, Hon. John M. McHugh (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE

Mr. MCHUGH. We call the hearing to order. Good afternoon. Thank you for being here. Today's hearing is an opportunity to review and assess the Defense Health Program that is about to begin a period of transition to the next generation of TRICARE contracts. From past experience we all know that the proceeding transitions have without fail brought with them periods of tension and frustration for the beneficiaries, the managed care support contractors as well as the department itself.

Thus, we are most interested in hearing today from the department as to how it will make this transition, especially with regard to the restructuring from 12 TRICARE regions to three, the plan for a new retail pharmacy contract, and how the new plan to govern the three regions will affect the local support and resource sharing contracts.

With the ongoing war in Iraq and thousands of military personnel deployed in the Persian Gulf, I am particularly disturbed by the emerging results of recent General Accounting Office reviews that show the force health surveillance programs conducted by the military services do not comply with either the department's or Congressional guidelines.

And all of us wish to understand why this situation exists more than a decade after Desert Storm and years after Congress mandated the establishment of such a force health surveillance system for deploying service members.

We will also, I hope, explore today issues surrounding TRICARE Standard and assertions that users, especially military retirees, are having difficulty in finding providers.

Finally, we have continuing concerns about health care for mobilized reservists, the security of TRICARE beneficiary information,

and the apparent desire of the Department of Defense to restore the requirement that all TRICARE Standard users obtain non-availability statements before obtaining care from civilian providers.

And with that, before I introduce our first panel, let me yield to our ranking member, a gentleman with whom we have fought many battles and sometimes very successfully. And when they were not, not because of his failure—he is been a real lion in support of these programs. And I appreciate him being here today. Dr. Vic Snyder?

STATEMENT OF HON. VIC SNYDER, A REPRESENTATIVE FROM ARKANSAS, RANKING MEMBER, TOTAL FORCE SUBCOMMITTEE

Dr. SNYDER. Well, thank you, Mr. Chairman. Thank you for your kind words. Ironically, gentlemen, I am using my time to apologize because I am not going to be able to stay here. And the bigger irony is because of my own personal health situation. So I am going to cut out on you. But as you all know, I am a family doctor and care greatly about these issues. And I have a couple staff members here to follow along. But thank you all for being here on this very, very important topic.

Mr. McHUGH. Thank you. And appreciate all you have done. And take care of yourself. You are awful important to us.

And with that, let me welcome our first panel. And by way of introduction, I am not sure which order they are in. But I am going to read them as they are listed here.

The Honorable William Winkenwerder, MD, MBA, Assistant Secretary of Defense for Health Affairs, Lieutenant General James B. Peake, the Surgeon General of the United States Army, Commander of the U.S. Army Medical Command, Vice Admiral Michael Cowan, Surgeon General of the Navy, Lieutenant General George P. Taylor, Jr., Surgeon General of the Air Force. The statements gentlemen, that you have submitted and for the record will be entered in their entirety without objection to that record.

Phil, do you have any objections?

Dr. GINGREY. No.

Mr. McHUGH. No. Good. Well, without objection, that is so ordered. And I appreciate Dr. Gingrey's consideration there.

I should note also for the record in addition we have received statements for the record from David R. Nelson, President of Sierra Military Health Services, Incorporated, David J. Baker, President and CEO of Humana Military Health Care Services, James E. Woys, who is President of Health Net Federal Services, Incorporated and Lawrence A. McAndrews, President and CEO, National Association of Children's Hospitals and finally, the Fleet Reserve Association. Without objection, those statements, too, will be entered in their entirety into the record.

[The prepared statements of Mr. Nelson, Mr. Baker, Mr. Woys, and Mr. McAndrews along with the statement from the Fleet Reserve Association can be found in the Appendix on pages 737, 754, 760, 770 and 773.]

And I do not believe we are lined up as I read them. In fact, I know we are not. But we are going to stick with the program as I did read them.

So, Dr. Winkenwerder, thank you, sir, for being here. And our attention is yours. And we look forward to your testimony, sir.

**STATEMENT OF DR. WILLIAM WINKENWERDER, JR.,
ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS**

Dr. WINKENWERDER. Great. Let me make sure the microphone is on. It sounds like it is. Fine.

Mr. Chairman, distinguished committee members, it is an honor to have this opportunity to address you and to report on the military health system and the opportunities and challenges that lie ahead for us. With your permission, I will summarize my written statement.

I want to begin by adding my personal condolences to those of President Bush and Secretary Rumsfeld for the families of those that have been injured, captured or those who have died since operations began late last week. Each of these families and the individuals are in our prayers.

Our country's ultimate weapon against any enemy—and I think we have seen this in the conflict so far—is a valor, the bravery of the men and women in our armed forces who serve the cause of freedom. They are the most powerful force on earth. But in this case, they are a force for peace and for the liberation of the Iraqi people. On behalf of all the men and women in medical service to our forces at sea, in the air and on the ground, I want to recognize the cause for which many have now given their lives and for the ongoing safety of everyone engaged in this conflict.

The courage, skill and discipline of our military medical personnel is matched only by their swift high quality and effective medical care which is unlike any armed force in the world. You have already seen reports by the embedded media of heroic acts of the U.S. armed forces medics to save lives. For example, the rescue missions of medical evacuation (MedEvac) crews and Ford surgical teams. And these have been truly, truly impressive.

I think we can all be assured that such acts will continue until our final mission is complete. In Operation Iraqi Freedom, we have more than sufficient capability to move casualties from their point of wounding to any level of care that might be required. We have more than sufficient medical supplies, including blood supplies for all of our troops operating in the field.

Our medics and soldiers are trained, equipped and prepared to operate in a contaminated environment if necessary with equipment, decontamination materials and medical antidotes. We are prepared for what Saddam Hussein might attempt to deliver to the United States forces.

As the Assistant Secretary of Defense for Health Affairs, my highest priorities are protection of the U.S. forces and ensuring the highest quality health care services for all of our beneficiaries and effective management of the Defense Health Program.

The budget put forward for the 2004 Defense Health Program is again, in my view, a realistic assessment of our financial requirements. The president's budget request anticipates a nine percent

cost increase in private sector health care costs for the department and a 15 percent growth rate for pharmaceutical costs. Both of these are in keeping with what we are seeing in the rest of the health care economy in the country.

With respect to medical protection to U.S. forces, my office and the service medical departments have taken several important steps in providing greater medical protection for our service members just over the past year. In June, 2002, we resumed the anthrax immunization program.

To date, more than two million doses of anthrax vaccine have been safely given to more than 600,000 service members. There are those that work with General Peake's staff that support this directly. And they have just done an outstanding job, in my view and have rectified many of the problems that others have cited in the past.

In December, 2002, President Bush announced the federal plan to resume smallpox immunization for selected civilian and military personnel. In just three months, the Department of Defense (DOD) has vaccinated more than 350,000 service members against smallpox. And we have instituted a very aggressive safety program. We have seen only a few significant or severe side effects. And in fact, all of these individuals have been successfully treated and are returning to duty.

Force health protection extends well beyond these vaccination programs. Our measures provide layers of protection to our forces, from chemical, biological and radiologic exposures. We have instituted policies for pre and post deployment assessments. I am pleased with the increasing level of cooperation between DOD and Veterans' Affairs Department to protect and care for our deployed forces and veterans. I am confident that our forces in the field are the best protected fighting force in the world.

In order to sustain our medical readiness posture and to attract and retain the best qualified Americans for military service, we continue to work to improve our high quality, worldwide military health care system. We remain vigilant regarding access to care for all of our beneficiaries. We continuously monitor the adequacy of civilian networks that we work with.

And we are particularly focused on this issue today as military medical deployments increase and our direct care system is required in some cases to refer care to providers in our civilian networks. Although there are a few instances where access has been impacted by current operations, overall access remains very good.

The department has introduced several initiatives to provide an easier transition to TRICARE for the growing number of reserve component members and their families called to active duty. We made some permanent changes to the entire health benefit package just a couple of weeks ago. And would be glad to go into that later and answer any questions you might have relative to that. It was all very well received by the reserve community.

Last August, we issued requests for proposals for a new generation of TRICARE contracts. We have worked on this very hard over the last year. In January, we received competitive bids for each TRICARE region. There is good competition in every region. We are now evaluating those bids.

As we approach the implementation of our newly designed TRICARE contracts, I assure you, Mr. Chairman, that the surgeons general and I are committed to a seamless transition and to improve service for our beneficiaries. We do not want to let the good and improving track record we have achieved slip in any way. In fact, we are looking to further improve it.

We are exercising regular oversight of this process. We will apply the lessons of previous transitions to test our systems and to ensure that our contractors adequately staff for transition efforts. The transition to TRICARE for Life (TFL) was good. This one is bigger. It is more complicated. It must be better. Our lead agent offices will have a critical role in this transition as well.

For 2003 and early 2004, we will have fully operational TRICARE contracts that continue to utilize the lead agent staffs in overseeing contractor performance. As new contracts are awarded, there will be a migration of lead agent staff responsibilities to the regional and local health care market management teams. Lead agent market management offices are all located in areas of significant military medical capability and sizable beneficiary populations.

Ensuring we maintain skilled staff across the Military Health System (MHS) remains a top priority for me. And I am pleased that we are able to use to the critical skills retention bonus this year to retain a significant number of medical personnel in critical specialties. Thank you for providing the department with that flexibility.

It was important to our efforts. The Military Health System is incorporating new technology into all aspects of our operation. And the systems we are putting into place will put us in the forefront of medical care systems and health care delivery worldwide.

Electronic sharing of health information provides really great opportunities and great advances in patient safety, reduced errors in claims processing and improved customer service. But there are risks in electronic communications that must be identified and measures implemented to prevent or manage those risks.

The criminal theft of personal patient identification information from one of our TRICARE contractors in December that came to light serves as a stark reminder of this risk. I think we learned a lot of lessons from that, and we are applying those lessons to ensure that that does not happen again.

We are establishing DOD standards beyond those commonly seen in the private sector to protect the privacy and confidentiality of all patient information. I am pleased with DOD's relationship with the Department of Veterans Affairs (VA) and the increasing levels of cooperation to protect and care for deployed forces.

We have reached a number of agreements that will increase sharing in joint planning, a significant role in our networks for the VA. And we are more closely collaborating on issues like deployment health and even things like future planning of medical facilities.

Mr. Chairman, our responsibility to provide a world class health system for our service members, our broader military family and to the American people has always been recognized and supported by the Congress. On behalf of the men and women in the U.S.

armed forces and each of those who provide military medical care throughout the world, we are grateful for your continued support of the Military Health System.

That concludes my remarks. And I along with the surgeons will be prepared after, I think, they give their comments to answer any questions you might have.

[The prepared statement of Dr. Winkenwerder can be found in the Appendix on page 553.]

Mr. MCHUGH. Thank you very much, Mr. Secretary. And thank you again for being here.

General Peake, welcome, sir. And we look forward to your comments.

STATEMENT OF LT. GEN. JAMES B. PEAKE, THE SURGEON GENERAL, U.S. ARMY, COMMANDER, U.S. ARMY MEDICAL COMMAND

General PEAKE. Mr. Chairman, Congresswoman Sanchez, Congressman Gingrey, it seems that each time that I come before you as the Army Surgeon General, I am talking about the extraordinary times that we are in and the extraordinary change since the last visit. And last year in the post 9-11 events, even Afghanistan had begun.

Our Army medics were distinguishing themselves on the battlefield there in the same traditions they had for 227 years. And this year we are engaged in a major operation. And again, Army medicine in the joint and coalition context is part of the most forward combat formations that are advancing on Baghdad as we sit here.

We are with the special operators. We are with the units that came out of Europe. It is a medical force of active and guard and reserve, truly the Army, as General Shinseki always talks about total force. Forward surgical teams that we did not have in Desert Shield, Desert Storm are now standard and are with the forward brigades as they advance.

EMTB, Emergency Medical Technician Basic Level trained medics with 16 weeks training, not ten as it used to be are now in the ranks of our combat medics. Collective protection in the form of a Humvee mounted chemical, biological protective shelter and chemically protected hospital sets provide an environment where the medical mission can continue in the face of contaminated environments are fielded. And they did not exist during Desert Shield, Desert Storm.

The payoff from all of this kind of thing comes from a kind of an e-mail I got from General Waitman, our medical general officer on the ground this morning. It talked about a Marine, multiple gunshot wounds, operated on by the forward surgical team. Bleeding was controlled by ligating the artery behind the knee, the popliteal artery.

Within an hour, a cardiothoracic surgeon at the 86th Combat Support Hospital where the patient was transported to had repaired the damaged artery—his vein, bypassed graft. And 12 hours later, the Marine had a viable leg and not an amputation.

Well, all these changes in structure and equipment and training do not come overnight, but with years of work by your uniformed military medical folks whose quality base comes from the direct

peer system. That is where we train, and that is where we retain the medical men and women of our force.

It is where the shared culture with those we serve really is bonded. It is where the trust and confidence of the soldiers and the soldiers' family and their medical system is built. It is the base for our ability to mobilize the force, medically, and to maintain our institutional continuity of care even when the family doc is off to join his deployed unit.

TRICARE and its network of contractors has given us a great tool to assist in this complicated mission. TRICARE Prime Remote for active duty family members and the application to our mobilized reservists has been a great step forward in the uniform benefit. I am excited about the opportunities that we see in the revision of the TRICARE contracts. There is lots of work to be done in the transitions. But we will get the health care focus where it is done locally where it belongs.

Quite frankly, it is your support for those things as mundane as direct hire authority for our civilian medical specialties to ensuring our ability to do military relevant trauma research and chem/bio research to providing a benefit that has restored the trust and confidence of our retirees to your unwavering support for the systems that provide, not just adequate and austere care, but rather the very best of people and equipment that we put forward on the battlefield just as we are doing today.

And so I thank you for that and for the opportunity to be here today.

[The prepared statement of General Peake can be found in the Appendix on page 565.]

Mr. McHUGH. Thank you very much, General. And we appreciate your being here today and for your continued service.

Next we look forward to the comments of Vice Admiral Michael Cowan, as I have said, Surgeon General of the Navy. Admiral, welcome to you, sir. Good to see you.

STATEMENT OF VICE ADM. MICHAEL L. COWAN, SURGEON GENERAL OF THE NAVY

Admiral COWAN. Thank you, sir.

Mr. McHUGH. And our attention is yours.

Admiral COWAN. Thank you, Chairman McHugh and distinguished members. I am happy to have the opportunity to share with you Navy medicine's accomplishments and our plans for the future. I am pleased to have the chance to serve this Nation in uniform during this time of challenge and to speak about our successes and future direction.

Of course, foremost on our minds is the U.S. global war on terrorism and our current military efforts in Iraq. These are momentous times. And I confess that the responsibility is sometimes an awesome and daunting experience.

Navy medicine carries out these responsibilities through a program called force health protection, which means fielding a healthy and fit force, protecting that force against all possible hazards, providing world class restorative care for sickness or injury from the fox hole to the ivory tower and providing quality health care for life for our retirees.

We are doing all of that today. Navy medicine joins Air Force and Army medicine and our TRICARE partners in joint operations throughout the theater in the war in Iraq and wherever our troops deploy.

A Marine general eloquently commented on the importance of Navy medicine saying no Marine ever took a hill out of the sight of a Navy corpsman. At the same time, our military medical treatment facilities, medical reserve forces and TRICARE partners at home are providing health care to the families left behind as well as retirees who bore the Nation's past fights.

To these, Navy medicine is family centered. The health of an individual depends on the health of his family or her family. And health is more than the absence of infirmity or disease. It is a complete state of physical, mental and social well being. And that is why we are entered this era that we call family centered care to promote the health and welfare of the whole family as paramount to the health of the service member.

Accordingly, military medicine has made moves and investments from a system that provided mostly periodic and reactive health care to one that has invested its portfolio heavily in health, health promotion, disease prevention and family centered care.

And I tell you with no sense of irony that services such as family-centered perinatal care, having a baby, are readiness and retention issues. One might think combat support and having babies are worlds apart. But they are not. Our warriors love their families foremost. We understand that, and we are therefore, there for all the health needs of the entire family.

As we move into this new millennium, our service members are going to be challenged to respond to a greater variety of challenges worldwide. This means flexibility of our deployable medical assets capable of responding to the full spectrum of missions. And that is now more important than ever. Navy medicine is more flexible now than we were a few short years ago. But the exigencies of the world continue to move, and the world we live in makes this a work in progress.

Finally, I would take the opportunity to note that the global war on terrorism has been a watershed for military medicine as well as American medicine in general. The aftermath of the terrorist attacks of 2001 have shown us that Americans are vulnerable in our homeland and that the very nature of threats against us has changed.

We understand conventional violence and are now learning to understand biological and chemical violence. American doctors are good at dealing with germs as disease. And now we must learn to cope with germs as weapons.

And finally, the military must learn to protect the citizenry of the United States, not only by deploying overseas to fight our Nation's battles, but to protect our people even in their own homes. America's medical and public health infrastructure will need to become part of a defensive weapon system in ways never before imagined.

And in partnership with other federal medical agencies and the medical system of the Nation, military medicine will be an impor-

tant part of that shield that will serve America well in these uncertain times.

I still wear the cloth of my Nation after more than 30 years of service. And one reason I do so is the opportunity on a daily basis to associate with some of the finest men and women this Nation has ever produced, Army, Navy and Air Force.

We can all be proud of all of them as they provide selfless and courageous life saving services at home and abroad and wherever American interests are served. Thank you, sir.

[The prepared statement of Admiral Cowan can be found in the Appendix on page 580.]

Mr. MCHUGH. Thank you very much, Admiral.

Last, we are delighted that General George Taylor has been able to join us, Surgeon General of the Air Force. And with that, sir, we look forward to your comments.

STATEMENT OF LT. GEN. GEORGE P. TAYLOR, JR., SURGEON GENERAL OF THE AIR FORCE

General TAYLOR. Mr. Chairman and members of the committee, it is a pleasure to be here today for the first time. It is also my very great privilege to be representing the Air Force Medical Service, a total force, active, guard and reserve dedicated to providing outstanding force health protection to our armed forces.

Our military finds itself engaged in war on multiple fronts. In fact, a greater percentage of our troops are deployed in more locations for longer periods of time than at any time since the Vietnam War. But I assure you we are ready for this.

The Air Force medical service brings important capabilities to support any operation or contingency and provides agile combat support to the Nation's air expeditionary forces, our sister services and allied forces, both at home and abroad. And we have been transforming for many years. Since the first Gulf War, we have achieved improvements in every step of the deployment process, from improving pre-deployment health to post-deployment screening and counseling. We believe in a life cycle approach to health care that starts with accession and lasts as long as the member is in uniform and beyond.

As we deploy, we are now sending a more fit and healthy fighting force for which we will have the best fitness and health baseline ever. Our medical personnel are also more prepared than ever. Training such as our advanced trauma training and readiness skills verification programs assure our wartime skills are current.

Expeditionary medicine has enabled us to move our medical forces forward rapidly as in the initial deployment during Operation Enduring Freedom and now during Operation Iraqi Freedom. The capabilities we bring to the fight today provide troops a level of care that was unimaginable ten years ago, capabilities that make us a lighter, smarter, faster, much faster medical service.

Our preventive medicine teams go in on the very first airplanes into a new location. This small team of experts gives us vital food and water safety capability. They begin then collecting environmental and hazard data, work closely on tent city site selection and provide basic health care.

Now we may not beat CNN to every scene, but our surgical units are light, highly mobile, expeditionary medical units, EMEDS, will be on the ground shortly thereafter, perhaps within as little as three to five hours. EMEDS are comprised of rapidly deployable medical teams that can range from large, tented facilities with sub specialty care to five person teams with backpacks. These five person, mobile field surgical teams or MFS, travel far forward with 70 pound backpacks. In them is enough medical equipment to perform ten life saving surgeries anywhere, anytime, under any conditions.

During a six month rotation in Operation Enduring Freedom, one of these MFS teams performed 100 in the field surgeries. Thirty-nine of these were combat surgeries. When our sick or injured troops must be removed from theater and transported to definitive care, we have a state-of-the-art air medical evacuation system.

Our newly created patient support pallets are rolled onto any cargo or personnel transport aircraft, unfolded, unpacked and within minutes, convert that aircraft into an air medical evacuation platform, a monumental advancement from our traditional use of dedicated aircraft like the C-9 or the need to perform extensive re-configuration of our other lift aircraft. This saves cargo space. But most importantly, it saves lives.

Once aboard the aircraft, our professional, highly trained active, guard and reserve air medical evacuation crews assure a safe flight envelope for our injured troops.

Another major advance since the Gulf War has been our ability to move large numbers of critically injured patients. Our critical care air transport teams can attend to the patient throughout flight providing life saving intensive care in the air.

And while en route, we now rely on a DOD automated system called traces to track the patient from point of pickup to point of delivery in real time. In fact, last year in support of Operation Enduring Freedom, we transported 1,352 patients of whom 128 were critically ill or injured.

It is important to note that these new programs can be woven seamlessly into the joint medical capability. This joint service interoperability was demonstrated during the crash of an Army Apache helicopter in Afghanistan last year. The two pilots had massive facial and extremity fractures. The injured pilots were treated and moved by Air Force para-rescue men who had been delivered to the site by our Army special forces helicopter crew. The two were then stabilized by an Army forward surgical team, transferred to a waiting C-130 and evacuated out of theater by a C-17. In flight, they were restabilized by an Air Force critical care transport team and landed safely at a military base in the European theater, all within 17 hours.

This is just one seemingly unbelievable but in fact, increasingly routine example of our integrated medical operations. Today the three medical services have built an interlocking system of care for every airmen, soldier, sailor, Marine and Coast Guardsmen in harm's way.

While our troops are in theater, their health surveillance continues. We have fielded data capture mechanisms to extend and enhance our force health protection efforts. Using automated systems,

we have documented and centrally stored more than 11,600 deployed patient records since 9-11.

Tools are now in place to collect relevant environmental health data and forward them for centralized analysis. This linkage between individual patient encounters and environmental data is critical to ongoing and future epidemiologic studies.

Another crucial element of protecting our deployed troops is assuring peace of mind that their families are in good hands in their absence. In addition to the fine care delivered throughout the military health care system, we have TRICARE networks in place to support our hospitals and clinics when needed to ensure the Air Force family is well cared for.

We continue to optimize the care we provide in our facilities to more than one million TRICARE prime patients and 1.5 million TRICARE for Life patients. We are doing this in many ways by ensuring providers have enough support staff, that our processes are efficient and that the buildings in which we provide care are adequate.

Congress's support for these endeavors have made a huge difference. A challenge we continue to face is medical professional recruiting and retention. I believe the solution to this is twofold.

First, incentives such as loan repayment, accession bonuses and increased specialty pay are beginning to make a real difference. And again, we appreciate your critical support and crucial support for this.

Second, I believe the optimization and facility improvement projects that I mentioned will create a first-class environment of care for our outstanding, well trained and highly talented staff.

In conclusion, as we face the many challenges of our missions at home and abroad, your Air Force Medical Service remains committed to offering our families quality, compassionate health care and to supporting our troops as they protect and defend our great Nation. I thank you for your support, your vital support that you provide for your Air Force, for our families. And I look forward to your questions.

[The prepared statement of General Taylor can be found in the Appendix on page 611.]

Mr. McHUGH. Thank you, General. And gentlemen, thank you all very much for your comments and as I said previously, for your presence here today.

I want to ask a couple of questions before I yield to my colleagues. And let me preface that by saying that all of us, I know, respect, admire and deeply appreciate the job that you and those who you work with are doing.

We have all seen the images on, I would say, Fox News first, because that is what I watch first, but CNN and all of those networks and channels that are covering the ongoing action. And let me certainly echo the secretary's comments that our hearts, thoughts and prayers go out to all the brave men and women who are there serving now, but particularly to those who have lost loved ones and have loved ones and others that they care about so deeply who have been injured in that action. And I know as well that you are doing a terrific job. And I know also you want to do the best job possible. And that is why we are all here today.

You heard me in my opening comments mention the General Accounting Office (GAO) which will present testimony on the second panel. And one of the several areas that they focused on had to deal with the force health protection and deployment health programs.

We have a six year old law now that was passed in 1997 that set up a standard. And that was followed on by DOD's regulations to the department's credit to implement that to ensure a better process of pre and post-deployment health care tracking and health care in general.

And the GAO, as I know you are aware because it is my understanding that you have all been briefed as to their findings is somewhat critical of the department's and the services themselves the throwing the entire intent of that in both the active as well as the reserve components. And parochially in the interest of full disclosure, the 10th Mountain Division, which is in my district, was used for a portion of those assessments. So I have a personal interest as well.

I guess the question is simply how might you respond to those GAO findings here today. And to the extent that you feel policy responses and changes are necessary, what you might be doing to meet those concerns some six years later. And Mr. Secretary, I would start with you, sir.

Dr. WINKENWERDER. Yes. We appreciate your bringing up this issue because it is an important issue. We were pleased that the GAO gave us this information, even though they had not yet completely finished their report. It was valuable to have a heads up, and we thank them for that so that we can begin to take action.

In fact, action had already begun to be taken on the basis of some preliminary site visits that my staff and I believe folks from General Peake's staff and maybe others had done to assess now that we are beginning to have lots of deployments how it was going. And in fact, I think the data does show it is not data that I would quibble with in terms with its relative accuracy that there were some problems with compliance with respect to the provision of the pre-deployment health assessment and post-deployment health assessments.

So since that time, I think the word has gone out from General Peake—he can describe that to you in a moment. But I have made it clear that I expect at or about 100 percent compliance on this and nothing less than that.

And it is very important. I will say this that with respect to the issue of compliance, and with respect to the actual information that is obtained, even though they are both important, from my perspective what is more important is on the post-deployment side. And the reason for that is we have a pretty good baseline of information.

We have a very good baseline of information actually on people before they deploy that is based on their prior medical history. And it is already there. And people are obviously healthy to begin with or they would not be able to serve and deploy. I think in this conflict in particular what is most important is on the back end after people are out of conflict and harm's way and are either back to home station or on their way back that we get a very high level

of compliance. We are taking a look at our process literally as we speak.

Over the last couple of weeks, I have asked a group of people representing all the services and my area of force health protection to look at that process and to ensure that it will be done, exceptionally, and done in a way that makes us all feel good, not just ourselves, but makes the service members and their families feel good six months, nine months a year or two years from now. That is the standard we need to set.

So with that, let me turn to General Peake who I know is also on top of this issue.

Mr. McHUGH. Yes. And thank you, Mr. Secretary. I appreciate that. And it is comforting at least from my perspective to hear that you have sent that word out. I trust, I feel confident it has been received. But let me say to the military folks who are about to respond: The secretary's absolutely right. GAO has not totally finalized that yet, but I think we have a pretty good flavor of what their comments are.

If all we have is GAO's comments before the subcommittee and ultimately the committee, we are likely to take those as fact, which may be totally appropriate. GAO is a great organization and done great work for this subcommittee. But if you had points of contention, I would urge you to voice them. That does not necessarily mean you are right. It does not mean you are wrong. But I think it is important to have those on the record. You may not.

There is a certain level of frustration, as I am sure all of you—Mr. Secretary, I know you understand that after seven years or six years, there still seems to be a failure to comply. We do not hold ourselves and Congress to that standard, but we expect all of you to do much better. So with that not rather brief preface, I would be delighted to hear from General Peake.

General PEAKE. Chairman, I do not want to be in contention with the GAO. You know, we actually had our people join them at Drum. They were looking at Operation Enduring Freedom (OEF) and the Balkans. And what I have invited as they go to Fort Campbell to look at these, I said instead of just looking at that, how about taking a look at what we have been doing more recently with the deployments as we were informed by the earlier experience at Drum.

And I hope that will—I am convinced that will tell a better story. But it is frankly—and it is one that we have to do a better job of. But we do have a central agency that collects this information, digitizes it, scans it in. We have the ability to collect that centrally as we were required to do. And what we are doing now, part of it, sir, is a flawed process.

It is a paper form that then has to be mailed. And so it takes a while for the mail to catch up. I mean, now we are getting literally thousands. People would sit on them and not move them. We are correcting that aspect of it with direction to the field. The commanders are engaged. And I think as this current operation unfolds and we get all those scanned in, we are changing the process so that they can be, instead of having to be scanned in, they can be digitally collected and then transmitted.

And then the next piece of that, sir, is by 1 May that will be available to providers through the basically over-a-Web system to wherever the soldier is. A provider will be able to call up that form.

And it will be essentially the first page of a digital record for us. God bless you, ma'am. And so, you know, I think that we are improving the process that will help us to be better rather than just flogging a process.

The other thing, sir, is we have 30 million samples in our serum repository now. And we, since 1998, have been collecting extra serum sample. If somebody's going overseas and had not had one for 12 months, that is part of our HIV surveillance program. And that, I think, is working quite well.

We are pushing to make sure that that is disciplined as well. But again, these are things that we did not have before, during Desert Shield, Desert Storm really in place.

I do appreciate the fact that when you look at the information that we are not in compliance with, and we are making significant steps to change that.

Mr. MCHUGH. Well, that is good to hear. And I am also glad that I kind of commented on the rather low standard sometimes we hold ourselves to in Congress. Because I just exceeded or came under that low standard. Mr. Chapla has informed me the GAO, just so they will stop writing and get in a panic, GAO is not going to testify in this particular issue. They are going to testify on the adequacy of provider networks. But we are aware of this issue, and it obviously continues to be important.

So Admiral Cowan, any comments from you, sir?

Admiral COWAN. Only this, sir. Looking back at the deployment of the Gulf War, if I could use a metaphor, we sort of flew the human airplane until the engine broke. And then we went and fixed it. We have developed a cyclical and overlapping system of maintenance and repair of this human weapon system that is not just deployment questionnaires.

But as General Peake said, serums, surveys, routine and periodic physical examinations, deployment assessments that the Navy does for all deploying forces and a variety of other screening and then protective measures during deployment. We follow through deployments now with clinical practice guidelines.

It used to be that if the human airplane broke, every mechanic had his own approach to it. Now we approach them all in a systematic way so that we can reconstruct cause and affect in meaningful ways in real time.

Our daily difficulty in work is certainly with execution. When we begin to deploy, deploying forces have a lot of things to do. And we constantly press and push and attempt to measure to make sure that we are doing these things as close to 100 percent as possible.

Mr. MCHUGH. Thank you.

General.

General TAYLOR. Mr. Chairman, I think you are going to be hard pressed to find any greater zealot for this than me. I was in Europe during the Kosovo campaign, the air war over Serbia. General Jumper and I would not let anybody depart their forward base until they had completed a survey to ensure that they did not have to stabilize their health and bring up any health issues that the

medics could handle and document before they left. So I am a great zealot of this effort.

The Air Force, as Admiral Cowan said, we have periodic health exams every year. The health of every airman is evaluated to ensure that they are, not only their record reviewed, by they are also questioned in terms of any new findings between the last year and this year.

I am very confident that the Air Force has policies in place that match all of the Department of Defense instructions in this area. And in fact, the secretary of the Air Force's Inspector General (IG) inspects this process when they do their every three year inspection of our bases. So I think we will have an ongoing monitoring system in place through the independent IG in the Air Force to help us feel comfortable that we are on top of this process.

Mr. MCHUGH. General, have you seen the—were you briefed by GAO?

General TAYLOR. No, sir, not yet.

Mr. MCHUGH. Not yet?

General TAYLOR. I understand what the findings are, though.

Mr. MCHUGH. Any comments as of the findings? And I appreciate all of your responses in respect to what you are doing. But GAO has found that regardless of the positive intents of that, that it still does not meet up to the expectations.

General TAYLOR. Sir, we have an execution problem that we are going to continue to stress and work through.

Dr. WINKENWERDER. Mr. Chairman, if I might also stress—

Mr. MCHUGH. Mr. Secretary.

Dr. WINKENWERDER [continuing]. Actually one of the requirements in a law—and it is another element that has not been, candidly, fully complied with is the establishment of quality assurance system. And in my experience, a good quality assurance system is the best way to ensure good compliance because you have an ongoing way to keep people informed of whether there is a gap in performance or not.

You are not waiting for the GAO to come along every couple of years to tell you if you are doing it right. That is being established. And so I think we are going to have on a regular, real time basis for each of the services as well as at an aggregate level a look into how performance is going. And that ought to keep us on track.

Mr. MCHUGH. Well, I know we all appreciate your words of assurances. There will come an opportunity when GAO does report that perhaps we will have the chance to discuss this further. And I know that you do not need me to say that we would certainly encourage your active participation in meeting those concerns, as I know your objective is to do the best job possible in the pre and post-deployment health monitoring area.

I know I said I was going to ask two questions, but that first one took a bit longer than I expected. It was an important issue, and I appreciate your comments. I am just going to begin to yield to my colleagues.

And according to the committee and subcommittee rules—in order to be recognized, Dr. Gingrey?

Dr. GINGREY. Well, thank you, Mr. Chairman. I appreciate so much you all being here today and the testimony that you have given.

Dr. Winkenwerder, I wanted to ask you at the outset of your remarks you talked a little bit about the smallpox immunizations that I think you said some 350,000 had been accomplished, and yes, some side affects. But they were minimal and quickly recovered.

You know, we are having, as you know a very difficult time getting our first responders, our emergency room folks to buy into the president's program and to get vaccinated. And of course on a voluntarily basis we are trying to deal with some concerns about who is responsible if you have a real adverse reaction, you are out of work for an extended period of time. And we are going to address that in the Congress very soon. But I was a little, as a physician Member of Congress, a little disturbed by a recent report—and this is sort of anecdotal—of people who actually had suffered heart attacks after getting smallpox vaccinations. And maybe I could get you to comment on that.

But my sense is that if you can take 350,000 troops and vaccinate them and have minimal adverse reaction, then it may be an overstatement to suggest that we are jeopardizing people, adults, older, yes, granted. But some of those heart attack situations may be people—and we have physicians here testifying—they went into that situation and got that vaccination, and maybe they had a 90 percent blockage of their left anterior descending artery.

And it had absolutely nothing to do with the vaccination. So people can panic pretty quickly and really wreck a program that I think is extremely important in this time. And maybe you could comment on that.

And Mr. Chairman, if I have any more time, I will ask another question.

Dr. WINKENWERDER. I appreciate your asking that question. I think this is a very important issue. We believe we have a lot of useful and good information to add to this discussion, to this national discussion about smallpox vaccination efforts and how best to conduct them.

My understanding of the two cases that have been identified by the Centers for Disease Control (CDC) that involved individuals who suffered heart attacks within a couple of weeks' period of time following smallpox vaccinations, my understanding of those cases is that in both instances, the individual had underlying risk factors that would have made it not unlikely that they might have had a heart attack.

I also in my conversations just as recently as yesterday with the director of the CDC who I stay in regular touch with—we communicate on this effort and how the program is going. It has been a mutually supportive effort.

My sense from that discussion is that they obviously want to do the right thing. They are concerned that there not be an over-reaction to these couple of cases, that we do not have any conclusive evidence that there is any kind of causal relationship here, that it is a temporal of time relationship. But we do not know or

do not have any reason to believe that there is a causal relationship.

So it is unfortunate. I think that nonetheless, in spite of all those caveats I have just said that it does make sense that there be an additional level of screening as the CDC is recommending until more information is available. And my understanding is that they are suggesting that those with risk factors may be over a certain age.

I am not entirely sure of all their criteria that they are planning to use. But it has been suggested that those people be deferred. That does not mean that they could not receive a vaccination, but just be deferred for the time being. And I think that is a sensible approach.

I do not think it would make sense to stop the program or for anybody to conclude that, as some have said, that smallpox vaccine is a dangerous vaccine. I think that is an unfair characterization of this vaccine. And I think our experience proves that.

I think our experience also proves that with a lot of careful screening on the front end—and we have excluded as many as five to 10 to 15 percent of people for medical reasons—that that combined with a lot of careful education to people about what to do post receiving the vaccine, you can really dramatically cut down on the historically reported adverse events.

We have actually got—our whole experience has been sent to a medical journal. It is being reviewed right now. And as you know, when it is peer reviewed, you are not supposed to comment on it. But they hopefully will let us know about that. And pending that review, we will be able to share our whole experience with the country. And we look forward to that. We hope we can do that soon, like within the next couple of weeks.

Dr. GINGREY. Thank you. Mr. Chairman, I had one other, but I will be glad to defer to—

Mr. MCHUGH. I appreciate that. I would ask the other members of the panel that perhaps what we ought to do is just go through and then come back if that meets everyone's agreement. I am the chairman, Mr. Chairman. Thank you very much. You are the ranking member right now, Ms. Sanchez.

But may I say, Mr. Secretary—and I understand what you said about your compiling data and such. But you are not aware at this time of any correlation between the military inoculation process and coronary results? Is that true?

Dr. WINKENWERDER. No, we have had no heart attack cases. We have had some cases, and this has been reported in the press. And we have shared this information with the CDC of an inflammatory reaction around the heart called pericarditis, or an inflammatory reaction that involves the heart muscle called myocarditis. And in all of those cases—and there has been a handful of them—the persons presented with chest pain, which would be normal for that condition.

That is usually the presenting symptom. And they were generally in the hospital for a couple of days, two or three days, usually treated with analgesics and anti-inflammatory medication, and all have resolved, and all are healthy and doing well.

Mr. MCHUGH. That is good.

Dr. WINKENWERDER. And that has actually been seen in earlier times and studies of military recruits. Actually there is a study from Finland that shows that that happened. So, that has been our experience so far.

Mr. MCHUGH. Thank you. Thank you very much, Mr. Secretary.

With that, I would be happy to yield to the gentlelady from California, Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman. And thank you, doctors, I guess, all of you for being here before us today. It is a shame Dr. Snyder is not here because I am sure he would be asking some more detailed questions. But I do want to go back to the initial issue that our chairman asked about. And it really stems from the fact that we know after we deploy, especially in conflicts, that when our men and women come back, they tend to have health problems. And I have never been around in the Congress to face the issues that come from that. But I know that they are very trying times.

And so this whole question of are we assessing each soldier, airman, seamen, woman, whatever, when we send them over, and are we recording what they might come up against, and are we bringing them back and then checking them again. I mean, it is really a three-fold process. And that is what this policy of almost seven years now says we should be doing.

So I would ask the surgeons, the generals, admiral, first I am going to ask you three questions. And, you know, I know you tried to answer the question before, but I did not really get a sense of are we really doing an okay job, are we doing not so good a job, or are we 100 percent there. So I would really like to know are you—first of all, the policy requires that the services implement pre-deployment, post-deployment health assessments, TB screen, DNA samples, immunizations, blood, et cetera. Are those requirements being met? Are we almost there? Are we not really there on those two things?

Second, how are we doing for each of those services with respect to intervention and deployment health assessments as the policy says to include that in a member's record? Are we meeting the requirements? How close are we? Well, those would be those first two questions. And then I have one for our undersecretary.

General PEAKE. I think we are not 100 percent, but we are, I think, better than when the GAO was assessing, as the chairman said, with this particular deployment. I think there has been a lot of pressure and a lot of focus really across all the services, ma'am, to comply. And it has to do with this form is one piece of it because you go through the form, and then it is reviewed.

And then if there is something that pops out of it, that you go ahead and you deal with, you know, it sets a referral process, and it puts them into the health delivery system as opposed to just the health screening system, if you will. But I think that we are really doing a lot better job of that.

Part of that, the DNA, we are not at absolutely 100 percent. But I think we are very, very close with that. And we store those here. And frankly, that will be something later on that will be archived with where we are going with science and genomics and prodiomics and so forth. That will be something that we will be able to query

as well as the serum samples that we are collecting and have a history on of every soldier, sailor, airman, Marine that has one of those HIV tests that we do on a periodic basis.

We do have the regular physical examinations. In honesty, we are not 100 percent there either. People let them lapse, as happens in the civilian world, too. But in fact, you know, we have a system that looks at that. And we are starting to measure that as a metric so that we can keep track of it. I think that as we work to improve the processes, it will actually get better over time. And as we get into a digital patient record, then access to all of that information will be a lot easier.

General Taylor mentioned about our environmental surveillance. That is something that we were sort of doing a little bit from scratch, you know, back in Desert Shield, Desert Storm.

Ms. SANCHEZ. Yes.

General PEAKE. We went back and we relooked and tried to re-define where the environmental hazards were. Now we all have teams that are integral to the formations that go in early and are collecting information. As a matter of fact, I was on the e-mail earlier today about, you know, we had the sand storm. Well, we are collecting the particulates because that is something that we want to make sure we will test it for heavy metals. And we will see if there is anything in it that is different than what we know. We know that there are some differences in the oil in the south and the oil in the north.

But, you know, we have come to that level of sophistication so that, you know, fortunately we have not had that many oil well fires. But we had a team poised, ready to go to go in and sample just for those kinds of things so that we can characterize the areas where we put our soldiers, sailors, airmen in harm's way. And then we will be able to make those kind of correlations depending on what we get from the post-deployment screening and the follow-up after that even.

Ms. SANCHEZ. That collection being done in the field, if you will, is that being done electronically? Is that being done by paper? How are we recording this?

General PEAKE. In the Army, we did not have the Center for Health Promotion and Preventive Medicine back 12 years ago. We have an organization that is up at Aberdeen that actually collects this data and archives this data and can do modeling with the data to actually be predictive. So, you know, again we have been informed by our previous experience. And, you know, that is not in the law or anything. But that is sort of that holistic picture that Admiral Cowan was talking about that we are all trying to build that is even further than what the law requires. But it is complimentary to it, to be honest with you.

Ms. SANCHEZ. Admiral.

Admiral COWAN. Congresswoman, I do not have too much to add to that. I would say that I am very confident that when we execute well, we have a very coherent system that, not only protects the individual, but then with the questionnaire, which is really an only one point in time updates upon deployment, I am very proud of our surveillance in the field and our ability to collect and extract data, identify hazards.

We have actually moved state-of-the-art detectors and environmental protective mechanisms into the field that nobody has had before. We put biological, bacteriological, serological laboratories that are the rival of CDC.

Where we worry is with the fog of war and not yet having the information systems that are under development fully in place to give us scaleable information in real actionable time. We are developing theater medical information program that will be the extension of our CHCS, composite health care system, our computer system within our hospitals that will link up and allow us management visibility in real time so that where execution is not being done then we can intervene in real time. But frequently we do not have that. So I think I am simply echoing what General Peake said.

Ms. SANCHEZ. Thank you, Admiral.

General TAYLOR. You know, I do look forward to reviewing in detail the GAO report to figure out where the gaps are between what the policies that are in place, the findings of the GAO and to go back and look at the findings of our IG teams in this very area to see where the gaps are and acting on them expeditiously.

We do have—as health concerns arise, they may not immediately arise after a deployment. As you know, most of the illnesses after the Gulf War were years later, months or years later. And having an ongoing system within the military to look for illnesses, and then if they are suspected to be linked to a deployment, we have a common guideline for how to evaluate those, document it to begin to build the epidemiologic base that we need to find a cause and affect relationship so we can affect the outcome of any disease if we can determine an exact cause, an exact mechanism of illness. So I believe that is very important. And I think we have the systems in place across the three services. And we just need to continue to focus on executing those.

I can tell you that when airmen deploy, when they get a deployment order, they get an extensive, preventive medicine briefing, their records are reviewed. Before they get on the plane to depart, they know where they are going.

There is a public health team that tells them the hazards. We get information from the Army's—as well as the Air Force's so they know the hazards that exist in the field. And then as they deploy back, they get a similar debriefing on the way back to understand what hazards there are, what transition back to their families is going to be like and then understanding the medical requirements we have on them to ensure that we follow them up. But I eagerly look forward to seeing the GAO report and looking for those gaps and ways to improve the system.

Ms. SANCHEZ. Thank you.

Mr. Secretary, you talked about working on and implementing a quality assurance program. That was included in the original legislation that we passed. Why is it still being implemented if it has been six years? I mean, where are we with that? Because that quality assurance program was supposed to check and see if in fact our services are doing these other three things.

Dr. WINKENWERDER. That is exactly right. What I am here to tell you is that it did not get done. It should have. Upon learning that

it was not being done, I immediately took action to get it done. And that is what we are doing. There is nothing else to say. I am not going to try and varnish what is the facts of the situation.

Ms. SANCHEZ. Thank you, Mr. Chairman.

Mr. MCHUGH. I thank the gentlelady. And to the extent that certainly, General, you know if you have not yet been briefed—and perhaps others of you have not either on this particular issue, it was my information you had. But if that has not occurred, so be it. And without trying to—Mr. Secretary, I appreciate your last comments very much. But just to give you gentlemen, I think, an idea of the dimension of the challenge you are facing—and I am just going to cite one set of statistics, and the GAO preliminary report has many.

But using Fort Drum, as I mentioned, through three deployments of Operation Enduring Freedom, Operation Joint Guard and two Air Force deployments, Enduring Freedom out of Travis, I believe they are mostly airlifters and Operation Enduring Freedom out of Hurlburt. Those are special operators.

Fort Drum and Enduring Freedom, those who had both pre and post-deployment health assessments, 46 percent. Operation Joint Guard out of Fort Drum, 53 percent. Travis did a better job on their OEF, 62 percent. And Hurlburt for the special operators in Enduring Freedom, 39 percent. That is deplorable.

And so, the secretary's comments about getting this done are exactly to the point. So, we certainly, as I am sure you have heard here today, have an ongoing concern about that. And we look forward to your continued work.

And with that, I would be happy to yield to the vice chairman of the committee, the gentleman from Oklahoma, Mr. Cole.

Mr. COLE. Thank you very much, Mr. Chairman. Gentlemen, first just thank you for your service to your country. I really do not have any questions right now, Mr. Chairman. I would like to, with your permission, just yield my time to Dr. Gingrey who I understand had some follow-up questions.

Mr. MCHUGH. The gentleman is recognized.

Dr. GINGREY. Thank you, Mr. Cole. And thank you, Mr. Chairman. Mr. Chairman, I have not had an opportunity to see that GAO report either. And I look forward to that. And I am sure there are some real concerns there. And I understand that. So when I make this statement, I do not want it to be an overstatement.

But, you know, when General Peake was telling us about that Marine that would get to go home with a leg instead of a stump because of the wonderful care that he received in the field by great surgeons serving the military, I think that is something that makes me feel extremely proud of. And I cannot help but feel that that is more important than knowing how much fissile phosphate might be in that sand that is blowing in our troops faces over in Iraq. Now again, I do not want to overstate this, but I clearly feel that someone needs to speak up for what is good and what we should be proud of. And I just wanted to make that statement to you, General.

I wanted to ask General Taylor. General Taylor, you made a comment, and this is something that really bothers me about the fact that medical teams in every instance do not beat CNN camera

crews to the scene. And I am really concerned about that. I am concerned about the over reporting that is going on, quite honestly, the several thousand news men and women that are embedded with the troops.

And I do not think that they should ever, ever get to a scene before our medical response team is there. It would be just like a family coming upon a motor vehicle accident scene and seeing their loved one laying there in the middle of the interstate having received no medical care. I am concerned about that, and I would be interested in your comments about it.

General TAYLOR. Yes, Dr. Gingrey. I mean, I would share your same concerns. And I am sure for the record, we can get the department to give you the rules that these reporters operate under. And I am sure that that kind of operation is addressed in the rules. And for the record, we will get that information back to you from the department.

But the specific rules, there are reporting rules for all these embedded reporters. They have specific rules that they operate under because they work directly for the commander. And I cannot imagine that the situation you described is not addressed in those rules. And I am sure we can get back to you on that with the detail to set your mind at ease.

[The information referred to can be found in the Appendix beginning on page 779.]

Dr. GINGREY. Thank you.

I wanted to ask the secretary in regard—you were talking, going back to the smallpox issue that you had mentioned to the chairman that indeed there were some cardiac events, even with the young, healthy troops that were vaccinated. And you mentioned things like, I think you said myocarditis or pericarditis.

Dr. WINKENWERDER. Right.

Dr. GINGREY. And I recognize those as being fairly serious reactions. And I wondered we have not had a case of smallpox in a long, long time in the world. And I do not know all of the symptoms and signs of even as a physician. I do not know that I would recognize a case of smallpox if I saw it.

But are any of those cardiac events part of the smallpox syndrome? And we all know, I think, that the cure rate for someone who is afflicted with smallpox is 70 percent. There is no treatment. It just happens that 30 percent die and 70 percent, with the support of care, survive. But are some of those deaths of the 30 percent, are they cardiac related because of what the virus may do to the heart muscle? Or are these reactions that are cardiac in nature related in some way to the adjunct, what is in the vaccine?

Dr. WINKENWERDER. My understanding is that the reactions that occur with the vaccine, which is the vaccinia virus that is used in the vaccine, are due to an inflammatory response, you know, not unlike the inflammatory response you get in your arm or local inflammation, some swelling of lymph nodes, et cetera. And I do not know that anybody knows this for sure, but as a physician, I would hypothesize that maybe that affects in a very small number of people, you know, one out of many tens of thousands the pericardium.

With respect to your second part of your question that relates to the death rate occurring from those who are affected with the

variola virus, the smallpox virus, separate from the vaccine virus. I am not aware of any of those deaths ever having been attributed to cardiac causes. My understanding is that that is due to more of total body system failure due to overwhelming infection and the like, but not in any way related to cardiac problems.

Dr. GINGREY. Thank you.

And Mr. Chairman, that is all the questions I had.

Mr. McHUGH. Thank the gentleman. We do have another panel.

Ms. SANCHEZ. I have one more question.

Mr. McHUGH. Well, I do, too. I will go first. No, you can go first. I yield to Ms. Sanchez.

Ms. SANCHEZ. I am sorry. I thought you were going to go to the next panel. So, I just—

Mr. McHUGH. Well, I was going to say but before we do that, I am going to—so, please.

Ms. SANCHEZ. Okay. My question was we are hearing some grumblings that in this supplemental, the \$75 billion supplemental that the president sent a couple of days ago to us, that there may not be enough to get your job done. Is that true? Do you need more funds?

Do you know what funds are included there for all this extra medical situations that are going on, not just out there, but also as we hopefully get through this battle and what we need to have in place and for the Iraqi people? What are you all thinking? And I guess I would direct it to the three heads of the services.

Dr. WINKENWERDER. With all due respect to my colleagues, let me try to take that one because there is an administration issue here.

No, you cannot. Well, I must. Let me just say—

Ms. SANCHEZ. But you are going to tell them not to tell me the truth.

Dr. WINKENWERDER. We have requested additional funds in the supplemental that would pay for all of the medical care that will be provided to the reservists who have been called up and their families. And that is a sizable number, I think, in the range of \$300 million. I do not believe the supplemental includes some other costs that we think could be associated with the war. And we are working with our own comptroller and with the Office of Management and Budget (OMB) to identify those costs and would surely want our own internal leadership to know about what we think those costs are. We have no inhibition about expressing what we think our costs are going to be.

It is in everybody's interest to identify those and to get the funding to pay for it. But we do not have numbers on that just yet. But there could be some other costs that will relate to a variety of issues.

Ms. SANCHEZ. So do your comments then basically tell these three gentlemen that whatever the costs that they are expending and making sure that they are providing the medical care they have to in this arena that it is in their budget already?

Dr. WINKENWERDER. We believe that our budget, other than the possible costs associated with the war is adequate and that we are well funded, fully funded for this current fiscal year for 2003. But we have some additional costs associated with the war.

Ms. SANCHEZ. And those are included in the supplemental? Are you sure, do not really know if they are—that is in there?

Dr. WINKENWERDER. Some of them are. I have tried to put them into two buckets. One is the bucket that is associated with the costs of caring for all the reservists and guardsmen that are called up. And that is a real cost. And that may be the biggest single component. It is about \$300 million, we believe. And we put that forward. And my recollection is that is part of our supplemental request.

There are probably some additional costs that we are working through and trying to figure those out what they are. For example, the fact that if there is not enough capacity in the direct care system, we have to refer some people into the network. That might cost more money. But we are trying to identify those. We are in the active process of doing that right now. And we will be making that information known so that we are sure that we are fully funded.

Ms. SANCHEZ. Yes. And I assume you gentlemen all agree with him?

Dr. WINKENWERDER. With that, I would welcome my colleagues to comment further.

General PEAKE. Well, all of the military is forward funding this war, as you know, ma'am. And there are costs certainly beyond what Dr. Winkenwerder said, as he said, beyond just the care of the reservists.

I mean, when you give folks 90 days of medications to take forward, I mean, that alone is a chunk of money that was not in our programmed budget, just as an example. So there are a number of things like that, the increased security, all of those things that go along with this forward funding of the war that we look forward to the supplemental and look forward to finding out what is in it.

Admiral COWAN. I would only add we are a team in the Defense Health Program (DHP) in that we build our budget together, and we have a single budget. So we provide our input into Dr. Winkenwerder's office. And the supplemental for health care goes forward in that lane.

Each of the services for its deployment and war fighting, including war fighting medical so that the expenses that we incur in Iraq, for example, come through Navy supplemental. So we submit our supplemental requirements for Navy that way for the Defense Health Program through this way. And they are both works in progress.

General TAYLOR. That is exactly right. You know, we do not know what the final costs are. The department has done its best to estimate the war fighting costs. And the doctors that are operating forward, their medical supplies, the cost of transportation, those things are all captured in the supplemental.

The Defense Health Program costs are captured, as Dr. Winkenwerder supplied to you. And we are continuing to gather the data to find out what the affect of the war, the global war on terrorism is on the department.

Ms. SANCHEZ. So you are planning, basically, on a second supplemental is what you are telling us, Doctor?

General TAYLOR. Well, no. I cannot speak for the Department of Defense. Look, we are in ongoing discussions with our comptroller. They want to work with all components of DOD to put together one comprehensive, sensible package for OMB and the Congress to consider. And we will be working with them. I can assure you we will be seeking to represent our interests. We would be crazy if we did not.

Ms. SANCHEZ. Okay. Thank you. And thank you, Mr. Chairman, for your indulgence.

Dr. WINKENWERDER. Thank you for your interest and support.

Mr. MCHUGH. I cannot speak for the department and the administration, either. But I would not be stunned to see another supplemental to cover this war cost and obviously the time after. And certainly would expect that DHP be an important part of that.

A whole host of questions, many of which were mentioned in my opening comments, many of them were alluded to in your comments, gentlemen, that we wanted the reservists care and the availability of health care and the challenges that had been faced there and the direct new national pharmacy benefit and how that all is going to work. But we are going to, with your cooperation, we will submit those in written form for the record. But I would like to ask one more question because I think it is of such all encompassing concern.

I did mention that every time we have had this kind of transition in the military health care system as we are ongoing now, there have been problems. And I do not say that with any great shock. I mean, this is a big job. And it would be a big job to the next generation of TRICARE TNEXT if that is all you were doing.

And obviously when you are out in the Middle East and some of the other places doing the most important part of your job, and that is attending to those men and women in uniform who are in battle situations or just generally deployed, that is the most important thing you can do. So it becomes particularly challenging.

First, I guess a technical question. That is, do you expect the next generation of TRICARE contracts to meet the current June, 2003 time frame? And if not, how long do you think the actual award process might be delayed?

And, second, of all, can you just give us a thumbnail sketch as to what you are attempting to do to smooth out the challenges that have to occur, particularly to the beneficiaries with respect to that upcoming, substantially different TNEXT round? And whomever would like to start first. Can I get a volunteer?

Mr. Secretary, you are a good soldier, airmen, Marine, Coast Guard.

Dr. WINKENWERDER. Well, with respect to the June 2003 date, I would not have you hold your breath for that date. We are working hard to stay on track. I would anticipate some additional time beyond that at which point we would obviously hope to make contract awards.

What is most important, we believe, in this particular point in time is a process of evaluation that is fair and is not challengeable on the basis of the way we have approached the various bidders. So we are seeking to be very careful and scrupulous with respect to careful evaluation of each of the bids and bidders. But that said,

we have to keep on track. And we are pushing to do that. I have established with respect to, not only that piece of this entire process, which is the contract award and the contract transition aspect of this entire transition, but the many components to it.

I have established a transition team, a transition management team and transition management process that breaks the transition down into about four large components. Each of those components has a leader. We have a leader organizing the whole effort, Retired General Nancy Adams, very talented administrator. And she has been brought into the organization just for this purpose.

And so, there are lots of details. And those details need to be managed very actively, aggressively and early on. And my goal is that when we are within 60 to 90 days of the actual transition taking place, that everything is done or most all the work is done. So, we are hard at work even now on this process. And each of the services and each of the surgeons has been very involved in it. I welcome any comments they have on how we are doing this.

I would agree, sir, that we are definitively engaged in trying to figure out how to get this thing done right. You start looking at what the potential advantages are to our people. One of the things I am sure you heard is the problem with portability that we have had. You know, we are nomads. You know, and every time you shift around and have to shift contract, well now we will have three instead of the multiplicity that you alluded to in your opening remarks.

We will have a common pharmacy opportunity so that it does not matter whether you are temporary duty (TDY) or on leave or traveling around. If you need your medications, you can get them. And it will all wash back in a common pharmacy approach. So, I mean, there are some real advantages to us if we get this thing done right. And so, we are all attuned to that.

And then, making sure that the contract support wraps around and supports the MTF, the military treatment facility, you know, at the Drum or wherever. In getting the people at that level that are really able to work closely with the local community. And I think it really has an opportunity for making us better.

Mr. MCHUGH. Admiral or General, anything to add? Do either of you disagree with the secretary?

Admiral COWAN. No, sir. I would have nothing to add.

General TAYLOR. I think we are very comfortable with the processes in place. Obviously during the middle of the transition, all of our medical treatment facilities will be on high alert looking for any problems in the implementation. But we have a very good running start and a great history of having done these contracts in the past and the issues that arise. And I am confident that these teams will pick up issues ahead of time and have battle plans in place to take care of them.

Mr. MCHUGH. General.

General PEAKE. Just going back to Ms. Sanchez' point is that, you know, we are in an industry that has a cost growth. And there are transition costs. And we are going to have to figure out how to get all of that lined up. Many of the functions are coming back to the direct care system that I talked about in my remarks. And, you know, we are going to have to make sure that we have the

ability to do the things that come to us as part of this transition. And as we get programmatic about it, I think we will be able to do that.

Mr. McHUGH. Well, I appreciate that comment. And obviously, we are going to want to keep a close eye on that. I mentioned it is a big, big job. And General Peake alluded to some of the benefits increased, enhanced benefits that can go to the beneficiaries. And I would like to think that is our primary intent. But you have a lot of work in front of you, and I wish you all the best on that.

Also one other question for the record that we want to get to. It has to do with the issue of the data, personal data invasions, revelations—and such. And this is not an issue that you face alone. I mean, that kind of challenge is prevalent across the entire society now anywhere where you use a computer to register background on credit cards, bank accounts, health care records. And I think all of us understand health care records are particularly sensitive. So, appreciate your paying particular attention to that question.

But we are approaching two hours, and you have all been very gracious with your time. I do not want to press or you all may need medical care here if we make you stay any longer. So gentlemen, thank you for your service. Thank you particularly for the great job you do out in that battle field and with those deployments. And we look forward to working with you to help you do an even better job. Thank you.

Dr. WINKENWERDER. Thank you.

Mr. McHUGH. With that, we would respectfully dismiss the first panel and welcome the members of our second panel who I hope are still with us.

Ladies and gentlemen, thank you for joining us. Thank you for your patience. We welcome you and look forward to your comments. And let me, before we do get down to those comments, introduce the distinguished members of this panel.

First, we have Ms. Sue Schwartz, DBA, RN, Co-Chair of The Military Coalition's Health Care Committee, Robert Washington, Sr., Co-Chair of The Military Coalition's Health Care Committee, Marshall Hanson, Captain, United States Navy Reserve Retired, National Military Veterans Alliance, Deirdre Parke Holleman, Esquire, National Military Veterans Alliance, Lieutenant Colonel David B. Vann, United States Army Retired, Military Retiree Grass Roots Group and Marjorie Kanof, MD, Director, Clinical and Military Health Care for the U.S. General Accounting Office. Thank you, as I said, so much for being here.

And Dr. Schwartz, we will start with you and then proceed down in the order that I have read them. Welcome.

STATEMENT OF SUE SCHWARTZ, DBA, RN, CO-CHAIR, THE MILITARY COALITION'S HEALTH CARE COMMITTEE

Dr. SCHWARTZ. Thank you. Mr. Chairman, Congresswoman Sanchez and distinguished members of the subcommittee, The Military Coalition appreciates this opportunity to present our views on the Defense Health Program. The Coalition would like to express our unwavering support for the Defense Health Program and for our medical service corps' men and women who are serving in

harm's way in support of the war on terrorism as they fulfill the military's readiness mission.

Today I would like to reiterate our appreciation for the landmark health care initiatives that this subcommittee has initiated over the past few years, especially for Medicare eligibles and for active duty family members. The Coalition urges the subcommittee to now turn their attention to revitalizing the TRICARE Standard Program because complaints from those in Standard far exceed those in Prime. We ask you to distinguish between standard and prime in your efforts to improve TRICARE.

The Prime benefits certainly deserves its success stories. However, continued focus on Prime only serves to obscure the very real and chronic problems with the standard benefit. Based on executive and legislative branch requests, the Military Officers' Association conducted a Web-based survey to examine the extent to which standard beneficiaries are having difficulties accessing primary and specialty care and where they are having these problems. The preliminary results of the survey are presented in our written statement for your review.

Respondents to the survey expressed their frustrations about difficulties finding providers who will accept new TRICARE patients, inaccurate participant provider lists, the impact that low reimbursement, claims processing and administrative hassles have upon provider participation, the lack of understanding on the part of providers about the TRICARE Standard benefit and lack of adequate support to assist them in finding a provider who will care for them.

Another factor that became apparent from the survey is the large number of respondents who are forced to pay the entire amount of the bill up front at the time of service. This places a significant financial burden on these beneficiaries as they finance the benefit out of their own pockets.

More disturbing, it appears that some of these beneficiaries are unaware that they can submit their own claims to TRICARE standard to receive partial reimbursement based on TRICARE maximum allowable charges. Simply stated, Standard beneficiaries are neglected by DOD. No effort is made to reach out to these beneficiaries, to educate them about the extent of the standard benefit or support them in locating a provider.

And The Coalition sees no solution on the horizon. The new TRICARE round of contracts contains no requirement or incentives to assist standard beneficiaries, recruit standard providers or provide up to date Standard provider lists, thus leaving beneficiaries on their own to use the yellow pages as a handbook to determine if providers are willing to accept Standard patients.

We believe DOD has the same obligation to Standard beneficiaries as they do Prime to assist in locating providers and providing beneficiary education.

To address this problem, The Coalition urges the subcommittee to take action to require DOD to develop and fund a program to educate beneficiaries about the Standard benefits, to assist TRICARE Standard beneficiaries in locating a provider and tell them what DOD will do to assist them if they cannot find a provider who will accept them as a TRICARE Standard patient, de-

velop and fund a program to educate civilian providers about TRICARE Standard, recruit Standard providers and develop and maintain resources to indicate which providers are and are not accepting new Standard patients.

Despite the numerous initiatives that this subcommittee has promoted, members in many areas still have difficulty in finding providers willing to accept TRICARE because of low and slow payments and burdensome administrative requirements. TRICARE rates are tied to Medicare fees that have been declining despite rising provider costs.

As more providers are refusing to take new Medicare patients or dropping out of the program, they are even more reluctant to be TRICARE providers based on tax difficulties with TRICARE and CHAMPUS. We appreciate the recent action that this Congress has taken to prevent further cuts in Medicare and TRICARE payment rates. Our TRICARE beneficiaries deserve the best health care our Nation has to offer, not the cheapest available.

We ask the subcommittee's support of any means to raise TRICARE Medicare rates and to reduce or remove administrative impediments to provider participation. New requirement in last year's authorization act to make TRICARE forms and procedures match Medicare is a good example of the needed action.

The Coalition urges the subcommittee to consider additional steps to improve provider participation. Specifically, we hope you will urge DOD to use their existing authority to raise TRICARE reimbursement as necessary to attract providers and to further reduce TRICARE administrative requirements.

We ask the subcommittee to consider authorizing a demonstration project where we can test if raising fees for Standard providers can actually increase participation in certain areas.

Mr. Chairman and distinguished members of the subcommittee, we thank you for your strong, continued efforts to meet the health care needs of the entire uniformed services community. My colleague, Bob Washington will share with you additional Coalition priorities.

Mr. McHUGH. Thank you. And before Mr. Washington, we hear from you, let me just state for the record—I erred to do so—that we have all of your testimony as prepared in its entirety. And without objection it will be entered in its entirety into the record. So we have six panelists here, and I know all of your time is valuable. So if you could summarize your written statements, that would be helpful.

And Mr. Washington, we thank you for being here, sir.

STATEMENT OF ROBERT WASHINGTON SR., CO-CHAIR, THE MILITARY COALITION'S HEALTH CARE COMMITTEE

Mr. WASHINGTON. Thank you, Dr. Schwartz, Mr. Chairman, Congresswoman Sanchez and distinguished members of the subcommittee. Again, thank you for allowing us to present our views. There is still work to be done with TRICARE, and we ask for your support.

The Coalition believes funding for this year's Defense Health Program is adequate. However, it does not address the growing requirement to support the deployment of our forces. We ask the sub-

committee's oversight to ensure full funding of the direct and purchased care systems.

We believe that Prime beneficiaries should not be delayed access because Military Treatment Facility (MTF) staff members are deployed. These families are already supporting the war effort in many countless ways. We ask the subcommittee to guarantee that the promise made to service members and their families when they enroll in Prime are honored.

Despite Congress's clear intent to limit the requirement for non-availability statement, DOD affirmed in the president's fiscal year 2004 budget their intent to pursue the use of these statements. This means DOD will continue to support denying Standard beneficiaries who accept higher co-pays and deductibles in return for the freedom of choice of their own providers.

The Coalition is most appreciative of the action this subcommittee took last year to provide TRICARE Prime eligibility for dependents living in remote location when their sponsors' follow-on orders are unaccompanied. However, in order to retain the benefit, the family must continue to reside at the remote duty station. This can raise problems with dependents who may wish to go back home to live with their family or relocate to another area where they can best wait for the service member to return.

We ask the subcommittee to permit families to retain a Prime benefit when making a government funded move to another remote area and there is no reasonable expectation that the service member will return to former duty station. The Coalition asks the subcommittee to turn their attention to addressing an inequity in the treatment of remarried surviving spouse whose second or subsequent marriage ends in death or divorce.

Except for health care, these survivors have their military ID cards, commissary and exchange privilege restored. This inequity in the treatment of military was further highlighted by the Veterans Benefit Act of 2002 which reinstated certain benefits for survivors of veterans who died of service connected causes—eligibility is restored if the re-marriage ends in death or divorce.

The Coalition urges the subcommittee to restore equity for military widows by reinstating the TRICARE benefit. The Coalition is pleased to hear Dr. Chu's announcement that activated guard and reserve families will be eligible for prime and prime remote when called to active duty for 30 days.

We urge the subcommittee to authorize TRICARE coverage options for reserve and national guard members before mobilization. In some cases, reserve and guard families have no coverage when not activated. In others, families experience considerable problems when they have to switch from civilian coverage to TRICARE and back to civilian coverage again when deactivated.

During this time of enhanced mobilization of the guard and reserve, providing improved continuity of care is not only a matter of equity, but a recruitment and retention issue as well. Another possible alternative to achieve such continuity would be to have the department reimburse active and reservists for part or all of the civilian health premium as we do now for DOD civilian reservists who have Federal Employee Health Benefits Program (FEHPP).

Another concern is the Medicare eligible under age 65. In order to keep TRICARE benefits, they must participate in Medicare Part B. The problem is that DOD makes no effort to educate these beneficiaries about the need to take Part B. As a result, these deferrable beneficiaries have only Medicare Part A, no Part B, and lose their TRICARE benefit until they can sign up for Part B in the next enrollment season.

Mr. Chairman, it is unfair to require Part B yet make no effort to inform the beneficiary of the requirement. Mr. Chairman, thank you for the opportunity to present The Coalition's views on these critical and important issues. And I stand ready to answer your question.

[The prepared statement of The Military Coalition (TMC) presented by Dr. Schwartz and Robert Washington can be found in the Appendix on page 640.]

Mr. MCHUGH. Thank you very much.

Mr. Hanson, if we could proceed with you, please.

STATEMENT OF CAPT. MARSHALL HANSON, USNR (RET.), NATIONAL MILITARY VETERANS ALLIANCE

Captain HANSON. Thank you. Mr. Chairman, Ms. Sanchez, members of the committee, our Nation's brave young men and women are fighting in Iraq. As predicted by the Abram's Doctrine, the public has personally been drawn into the war because our warriors include members of the guard and reserve.

Because almost every American knows at least someone who knows a mobilized reservist, the public recognizes his or her contributions. Because of its close tie to the fight, the public is now also concerned with the welfare of the members of the guard and reserve as well as the active duty members.

The National Military Veterans Alliance and the National Association for Uniformed Services thanks you for the chance to testify on behalf of the 880,000 selected reservists most affected by medical readiness.

We too, would like to thank the efforts of the Office of the Secretary of Defense and the TRICARE Management Activity for revising health affairs policy 96018 for TRICARE Prime and Prime Remote. But while this policy change is applauded, we have concerns about other DOD policies looming on the horizons.

The Pentagon is transforming the roles of the guardsmen and reservists. They see a future where a reservist may be called upon to serve the needs of a service component. They want to make it easier to bring a reservist on active duty and later return him or her to reserve status. They are calling this the continuum of service.

DOD also seeks a fighting force that is immediate and adaptive. If the call up for Iraq is reflective, the Pentagon is expecting instant warriors. Under the Cold War model, a guardsman or reservist might have 45 to 90 days before call up. For Iraq, some of our people have been called in hours rather than in months. This has caused medical readiness problems. Medical and dental standards that are acceptable for a reservist are not acceptable to pass the pre-mobilization screening for active duty.

Pre-mobilization screening has become an assembly line of quick fixes for treatments that are rushed or members are being sent back home as physically unfit. One major factor for this state of medical unreadiness is that the financial burden of medical care is placed on the backs of the reservists themselves.

While active duty members are treated at military treatment facilities, guardsmen and reservists must invest their own money on health programs. While an active member may pay \$460 per year for TRICARE Prime, a reservist may be paying that much if not more per month for personal insurance. The government's own studies indicate that between 20 to 25 percent of reservists are without health care plans.

Medical costs are a key factor. If our Nation's military has matured from being a total force to a one force, why is the Pentagon investing differently into the medical coverage of active and reservists when both are viewed as human weapons systems?

Yet the Pentagon still expects reservists to subsidize readiness by paying for their own medical treatment. What the Alliance asks is that if we have a continuum of service that utilizes the guard and reserve, why is there not also a continuum of medical health care as well? Our alliance of 26 associations would like to see medical assistance to guardsmen and reservists as they prepare for mobilization, when they are out in the field and when they are returned home.

We again thank the committee for the opportunity to testify. And we further would like to thank this committee for its ongoing oversight of and dialogue with the Office of The Secretary of Defense on the mobilization of the members of the reserve component and the care of their families. Details of our concerns are included in our written statements. I stand by for questions.

Mr. MCHUGH. Thank you, Captain Hanson. If we could, we will just proceed through the testimony.

So Ms. Holleman, would you go next, please?

STATEMENT OF DEIDRE PARKE HOLLEMAN, ESQ., NATIONAL MILITARY VETERANS' ALLIANCE

Ms. HOLLEMAN. Thank you. Mr. Chairman, Ms. Sanchez, members of the committee, it is indeed an honor to testify before you concerning military health care. It is a joy to thank you again for the enormous improvements that have been seen in the last two years with the creation of TRICARE for Life, the senior pharmacy plan, TRICARE Prime Remote and the Medicare eligible retiree health care fund. And it is a comfort to join my colleagues in reiterating the need to improve TRICARE Standard.

Some improvements in TRICARE Standard should be easy to implement. Some will be difficult. But all are necessary if this last wing of Military Health Care is to reach a level of service that our military families and retirees deserve. The most obvious and simple improvement is to require that all TRICARE Standard beneficiaries are contacted at least once a year and told about their basic benefit and of any program changes that have occurred. More than once a year would indeed be far better.

TRICARE contractors should also be required to help TRICARE Standard beneficiaries to find willing health care providers. At this

time, as was previously said, the only tool these beneficiaries have for finding a health care provider is the yellow pages.

Additionally, non-availability statements (NAS) should be abolished for TRICARE Standard which was created after all as a fee for service plan. The beneficiary pays higher co-pays and deductibles and should be allowed to truly choose his or her provider. Congress made the first step toward this goal in the last session when you focused on maternity NAS'. The Alliance hopes we can move forward toward ending this practice.

In much of the country, TRICARE Standard has become a phantom benefit. If providers find that the payments are too low and slow and find the billing system too cumbersome, they will not accept this insurance. That is what is happening in many places. While the Alliance is well aware that change in TRICARE payment levels that are wedded to Medicare payment levels is a very difficult thing indeed, the Alliance firmly believes that this is where the solution lies.

We were very pleased with corrections in Medicare reimbursement levels that Congress tackled this year. And again, we hope that this was the first step toward correcting this long-term and serious problem. In the meantime, this committee should require DOD to lessen the administrative burdens and complications in filing TRICARE standard claims.

While it is clear that TRICARE for Life (TFL) has been a real success for numerous Medicare eligible retirees, their families and survivors, one group has not experienced one of the chief improvements. Medicare eligibles under the age of 65 have yet to receive electronic claims processing.

These beneficiaries qualify for Medicare due to serious disabilities. Medical care is obviously crucial for them. If their claims were electronically handled as TFL claims are, they would only have to find a health care provider who participates in Medicare.

The provider would send the bill to Medicare. Medicare would pay its portion and send the remainder to TRICARE. Unfortunately, they still need to find a provider who also will actively participate in TRICARE and will send in a separate paper claim. This group of beneficiaries need to obtain medical care as easily as possible. This problem should be solved now and not delayed until full implementation of the new TRICARE contracts.

Finally, there are two new proposals that the Alliance asks you to consider. One is that DOD contribute to the present TRICARE retiree dental plan (TRDP). If the department paid a government co-share for this insurance, the change from active duty to retiree would be seamless. Most retirees could afford the transfer into the TRDP which would be a great benefit for their long-term health.

The second proposal is to finally create an FEHBP option for uniformed services retirees. Even if Congress adopted all our suggested improvements in TRICARE Standard, there are many beneficiaries scattered throughout the country that will never be able to use their TRICARE benefits. There are no health care providers in their area that will accept it.

For these few people, the Alliance believes it is time to give them the opportunity to enroll in FEHBP in the same manner that their civilian counterparts do. The premiums are substantial, and we be-

lieve that few will sign up. But for those with no other workable option, this could literally be a lifesaver.

Mr. Chairman, distinguished members, thank you for your unceasing work in improving health care for the uniformed services family. And thank you for listening to our thoughts and suggestions.

[The prepared statement of The National Military and Veterans Alliance presented by Captain Hanson and Ms. Holleman can be found in the Appendix on page 697.]

Mr. McHUGH. Thank you very much, Ms. Holleman. I apologize to all the panel and to my colleagues for having stepped out. But I hope you understand I did have to take that call.

The next representative as I introduced earlier is here on behalf of the Military Retiree Grass Roots Group, Colonel David B. Vann, U.S. Army retired. Welcome, Colonel.

STATEMENT OF COL. DAVID B. VANN, USA, (RET.), MILITARY RETIREE GRASS ROOTS GROUP

Colonel VANN. Thank you, Mr. Chairman. Congresswoman Sanchez, Congressman Cole, Congressman Gingrey, I would like to thank you for this invitation to speak as a member of the health care White Paper Group on behalf of many members of the Military Retiree Grassroots Group. We deeply appreciate the past work of Congress enacting TRICARE for Life based on Grass Roots' efforts together with the stellar work by the associations represented here. We hope our efforts will continue to improve military health care.

My testimony is based on our white paper, which was hand carried last year to all 535 congressional offices. I hope to encourage your attention to the one group that has seen no measurable improvement in health care, retirees and their families under age 65, especially those on TRICARE Standard, the only option for many.

The Department of Defense has focused improvements on TRICARE Prime while TRICARE Standard is the major source of beneficiary dissatisfaction. Essential improvements that merit attention are covered in my written testimony such as benefits claims administration and the lack of communication to beneficiaries. Most severe are in access and choice. Reimbursement rates are so far below congressional intent that the program does not pay enough to attract doctors.

TRICARE is rejected by many providers who accepted CHAMPUS. Balanced billing is not uncommon. Low rates combined with billing and other frustrations make TRICARE not cost effective for them. In some areas, even Medicare rates are higher.

Nothing better illustrates the serious unintended consequences of choice denied in TRICARE standard than the non-availability statement. I offer my personal experience as an example in exhibit one. The non-availability statement compels unwilling patients under age 65 to use military treatment facilities or be faced with no reimbursement from either TRICARE or supplemental insurance.

TRICARE Standard participants pay higher deductibles and co-payments in exchange for that choice. It is not a true fee for service plan as advertised. It is one thing to send me to war and ask me

to give my life. But it is quite another to force my wife to assume the same risk for graduate medical education. We view the protection of our family as important as the protection of our country. Retaining the non-availability statement does nothing to advance either.

Many people believe military health care problems should have been solved by adopting FEHBP. Congress expressed its intent in 1966 that military retirees be provided health care equivalent to Blue Cross, Blue Shield high option at less cost than for federal civilians in recognition of career sacrifices and lower military compensation. That intent forms the basis of our recommended legislation for TRICARE improvements in the FEHBP.

FEHBP option at a reduced rate would allow retirees to have access to doctors who reject TRICARE and would provide choice and needed competition with TRICARE Standard. We propose using existing FEHBP plans for basic health care, less the drug feature of those plans and combine it with the highly successful existing DOD pharmacy program.

We consider such a proposal particularly attractive since both are already proven successful programs, eliminating the need for any tests. The rationale for replacing the reasonably successful non-profit system called CHAMPUS with the for profit system called TRICARE was solely cost reduction. Yet GAO has found the per capita cost of the system is 23 percent higher than that of FEHBP.

The expenditures of our earned health benefit are not identified separately from the cost of the system, which includes R&D, readiness. We believe disclosure about how much is being spent per TRICARE Standard beneficiary is essential to evaluate the success of the program.

Since health care for military families does not compete well with readiness, we propose that funding be placed in a trust fund in the entitlement portion of the federal budget. TRICARE for life established a good precedent as a funding model similar to what is done for federal civilian retirees.

I would be remiss not to bring to your attention the depth of feeling about the uncertainty among retirees who have been left behind as a result of reliance on TRICARE. That uncertainty centers on the phrase keeping the health care promise. We believe that uncertainty would be eliminated if the meaning of that promise were documented.

It is noteworthy in the military there is no greatest generation since we all bleed the same blood for the same country for the same freedoms just at a different hour. The same health care promise was made to the Vietnam generation and those who followed as recently as Desert Storm. Failure to honor that promise impinges on the honor, dignity and respect of military retirees who were promised more for noble service. We hope that our recommendations will help avoid that same uncertainty for those now in the sands of the Middle East proudly keeping their promise.

Thank you for the privilege of appearing today. I would like to acknowledge those members whose collective expertise formed the basis of the white paper and this testimony. And I would be pleased to answer any questions.

[The prepared statement of The Military Retiree Grass Roots Group, Health Care White Paper Group presented by Colonel Vann can be found in the Appendix on page 708.]

Mr. MCHUGH. Thank you very much, Colonel. We appreciate your presence here today. And I believe this is the first time your organization has appeared before the subcommittee. And we greatly value your input.

Next to testify is Dr. Marjorie Kanof, as I introduced earlier who is Director of Clinical and Military Health Care for the General Accounting Office. I also mentioned earlier, but I think it bears repeating that GAO has been enormously helpful to this subcommittee and to subcommittees across the entire spectrum of Congress.

So, Dr. Kanof, thank you so much for being here. We look forward to your comments.

STATEMENT OF DR. MARJORIE KANOF, DIRECTOR, CLINICAL AND MILITARY HEALTH CARE, U.S. GENERAL ACCOUNTING OFFICE

Dr. KANOF. Good afternoon, Mr. Chairman and members of the subcommittee. I would be remiss if I did not accept your acknowledgment of the work that the GAO has done. And I will share that back with David Walker.

My testimony this afternoon, though, is really going to be addressing the TRICARE civilian provider network.

Mr. MCHUGH. Dr., forgive me for interrupting you. And it may be because that microphone has drifted a little way from you, if you can just, if it is possible to pull it in closer. I think that would help all of us.

Dr. KANOF. Is that better?

Mr. MCHUGH. It is much better. Thank you.

Dr. KANOF. Okay. Currently more than 8.7 million active duty personnel, retirees and dependents are eligible to receive care through TRICARE. Military treatment facilities or MTF's supply most of the health care service that TRICARE beneficiaries receive.

The Department of Defense does contract with four health care companies to develop and maintain a civilian provider network. This network is designed to complement the availability of care through the MTF's. In response to beneficiary and provider complaints, you requested us to review DOD's oversight of the adequacy of the TRICARE civilian network. Our work focuses on TRICARE Prime, the managed care component of TRICARE.

Nearly half of all eligible beneficiaries enroll in TRICARE Prime. Other beneficiaries may choose between TRICARE Extra, a preferred provider organization and, as you have heard, TRICARE Standard, a fee for service program. My remarks are going to summarize our findings to date. Our written testimony goes into these findings in greater detail. And we will be issuing a formal report later this year.

To oversee the adequacy of the civilian provider network, DOD established standards designed to ensure that the network has a sufficient number and mix of providers, both primary care and specialists.

In addition, DOD has standards for appointment wait, office time and travel time. DOD representatives use this information pro-

vided by the contractors along with beneficiary complaints in regular meetings with MTF and contractor representatives to oversee this network.

However, we found that DOD's ability to effectively oversee the adequacy of the TRICARE civilian provider network is hindered in several ways. First, the measurement they use to determine if there are a sufficient number of providers does not actually always account for the number of beneficiaries in a given area. In some cases, this may result in an underestimation of the number of providers needed in an area.

Second, incomplete contractor reporting on access to care makes it difficult for DOD to assess compliance. We found that contractors reported less than half of the required information on access standards. No contractor reported complete access information.

Finally, DOD does not systemically collect and analyze beneficiary complaints. This is a significant problem because DOD officials told us that since information on access standards is not fully reported, they monitor compliance by receiving beneficiary complaints. Because beneficiary complaints are often handled informally on a case by case basis and not centrally evaluated, it is difficult for DOD to assess the extent of any systemic access problems.

You also asked that we describe the factors that might affect network adequacy. DOD and their contractors have reported three factors that may contribute to potential network inadequacy, and we have heard many of them this afternoon.

One is geographic location such as regional shortages for certain providers, low reimbursement rate and administrative requirements. However, while reimbursement rate and administrative requirements may create dissatisfaction among providers, it is just not clear to us how much these factors have affected network adequacy because the information the contractors provide to DOD are not sufficient to measure network adequacy.

DOD cannot generally pay providers more than they would be paid under the Medicare fee schedule. However—and again, this is under the prime—in certain situations in which DOD has determined that access is impaired, it does have the authority to pay up to 150 percent of the Medicare rate for network providers. Since 2000, DOD has increased reimbursement rates above the Medicare rate three times.

As we have also heard this afternoon, DOD's new contracts for providing civilian health care called TNEXT are expected to be finalized sometime after June, 2003. Although we have heard reference to DOD's plans for oversight, the specific mechanisms DOD and the contractors will use to ensure network adequacy are not known at this time.

TNEXT may reduce two administrative burdens that providers have complained about, credentialing and referrals. However, according to the contractors' new requirements, such as the requirement that 100 percent of network claims submitted by providers are filed electronically could discourage provider participation. Currently, only about 25 percent of such claims are submitted electronically.

Another concern that has been raised by beneficiary groups and alluded to this afternoon extend beyond the network and poten-

tially impact beneficiaries who use TRICARE Standard. TNEXT will no longer require contractors to provide information to all beneficiaries about providers participating in their area and to assist them in accessing care. Beneficiary groups are clearly concerned about this omission.

Mr. Chairman, this concludes my prepared statement. I, too, would be happy to answer any questions.

[The prepared statement of Dr. Kanof can be found in the Appendix on page 723.]

Mr. MCHUGH. Thank you, Dr. Kanof. And I know you are probably relieved to hear me correct my statement about your testimony with respect to force health surveillance.

Dr. KANOF. We are prepared, if need be.

Mr. MCHUGH. Oh, are you? Well, we will not go there today because that was not the game plan.

You sat here, as I, and heard the representatives of the various coalition groups talk about provider access and availability. And you commented to it both in your written and your spoken testimony. I believe this first question is in your written testimony.

But while you alluded to the fact, I do not think you mentioned the analysis of the results with respect to the three occasions where DOD has in fact accessed their opportunity under Prime to increase above 100 percent. What were the results in terms of increased provider availability when those increases did indeed go into affect?

Dr. KANOF. Two of them were in Alaska. One was initially in the rural parts of Alaska. And the last one that was in for Alaska completed the whole state. And there was really not a general increase in provider participation.

But, in fact, it is unclear to know whether that has to do with TRICARE or the provider community in Alaska because rendering care to the TRICARE community is not all that different from the difficulties that others encounter in getting health care in Alaska.

The most recent one was in the state of Idaho. And that was in fact just, I think, in January, 2003. So it has been too soon to know the impact of that increase.

Mr. MCHUGH. You mentioned that—and let me get you to comment on this for the record just so we are clear. Your testimony and GAO study is not necessarily making the determination that an increase in reimbursement rates would not increase provider accessibility and participation. You are saying, is it not correct, that instead the data collection systems are not allowing you as they currently exist to make that determination one way or another. Is that fair?

Dr. KANOF. That is correct.

Mr. MCHUGH. What kinds of things would be necessary to structure a database to allow you to make that? Is it very complicated, worth the effort? Are you able to make any conclusions in that regard?

Dr. KANOF. I think that nothing is ever simple. But having said that, I think there are items that are done in other managed care plans, both within some required in the Medicaid plans, some within the managed care plans and Plus C and also some within private industry that could be applied to DOD.

And, in fact, they ask those standards, but they are not really looking to see that. And I think clearly one of those are the ratios of your providers that you have in your network to your beneficiaries. And I think that that is a ratio that is well recognized as having some validity in terms of knowing do you have a network that is adequate for your population. But to do that, it is really very critical.

One, you cannot assume a certain provider participation. So you cannot assume that if I have a member of your network contract as a physician that I will be accepting new patients, or that I will be accepting 20 percent of the TRICARE beneficiaries in that area. So it is very imperative that not only do you count the numbers, but you also understand how much of a provider's practice would be available to TRICARE.

The other very critical point that in fact the first panel alluded to is you really need to understand the total number of beneficiaries in the area that the civilian provider network might be providing care to, which can include, not only those individuals that are registered within or enrolled in the civilian provider network, but you also need to understand the military treatment facility capability so that you can then better understand the number of providers you need for that area. So that is a very long answer to your question. But it is doable.

Mr. MCHUGH. Thank you for that summary. It started out sounding easy, and then it became somewhat more problematic.

Dr. KANOF. But doable.

Mr. MCHUGH. Pardon me?

Dr. KANOF. But doable.

Mr. MCHUGH. That is why I appreciated your final analysis. Let me ask you one final question before I yield to my colleagues. And I would ask if perhaps the other panelists would respond to their reaction of the suggestion. It is interesting because in years past, including past year, it was really the Standard that had the problem, not Prime or the other way around, I guess. Prime had the—yes, Prime. It now has evolved into more of a challenge in Standard.

Is it not a problem, or is it a problem the fact you do not have registrations under standard so that they become—pardon me?

Enrollment. And thereafter it is hard to assess exactly what is needed because you are not really sure who is in it where. If you were to have enrollment, would that be helpful in terms of addressing some of these problems? Or would it be a superfluous current of exercise?

And I certainly would be interested in hearing the other panelists because I suspect a lot of the folks who choose not to enroll and get into standard is in fact because they like the simplicity of it and the option of it. And they may view enrollment as something of a disincentive.

Dr. KANOF. Well, I think to have enrollment of the beneficiary would be very helpful from both a perspective of knowing the number, but also more importantly, knowing their location so that you can one, do better education of the beneficiary so they know how the system works.

And you can also have a contractor understand better the potential provider needs within that area. I mean, the dual sword here is that you also do not have a yearly provider enrollment in TRICARE as you do with Medicare. So enrollment would very much be helpful from a health care delivery system perspective.

Mr. MCHUGH. Thank you.

Dr. Schwartz.

Dr. SCHWARTZ. The Military Coalition has not taken a position on this as yet. But we plan to shortly. And we take a formal position. One of the things that is obvious at face value if I do not register, how do you know to send me my booklet because we do not give booklets. There are other ways to do that. You could take the Prime population and then go to and do a data run. And then the people that are not in Prime are in Standard. So that is one simple way to do it.

The objections that we have heard from our members is what are you going to do with that information. This is a very skeptical population. And I think some people are somewhat fearful—excuse me, Prime for Standard, are you going to lock me in for a year. Are you going to say I can only have Standard and that I cannot maybe go to Prime?

And then is the next step you are going to say I cannot go to the VA. So that is the skepticism that we see on the part of the beneficiaries. But personally, if I can enroll and that means I get a booklet, that would be great. But we have not taken a formal position. That is my personal opinion.

Mr. MCHUGH. Well, I appreciate that. And believe me, I understand skepticism amongst people when it comes to government at all levels. And it is hard to—that. In fact, I share some of those concerns. But obviously the beneficiary information process is important. But I think, as we have heard from the GAO testimony, that those data would be particularly helpful in addressing some of the other concerns. And I do not know the answer to this.

Dr. SCHWARTZ. Mr. Chairman, if I could interject one thing. If we were to sign up, then in turn have DOD educate us, have them contact us.

Mr. MCHUGH. Yes. Yes.

Dr. SCHWARTZ. And make them obligated to take that step forward from here.

Mr. MCHUGH. Well, I would agree. I mean, and I have no idea if this is a step we would take. But if we were, and that would be one of the primary, not standard, objectives. But it also becomes—I promise you we will get to everybody.

But it becomes more than just an education issue. And it becomes a means by which we can hopefully compile data to address some of these very real concerns that many of you expressed. It is just a thought.

Yes, Ms. Holleman.

Ms. HOLLEMAN. Indeed they are very real concerns. And the Alliance, with proper protections for the skepticism indicated, would be comfortable with an enrollment. Indeed since we were calling for contacts, and we were calling for education, it seems that that is rather an inevitable road to have that.

To have it would be a real substantial benefit. And indeed, some people do not even know they qualify for TRICARE Standard. And this would at least educate them on that with the proper provisos and protections that The Coalition is concerned about. We would find this acceptable and inevitable.

Mr. McHUGH. Sir?

Captain HANSON. Thank you, Mr. Chairman.

For guardsmen and reservists, there is a unique situation and a distinct line of demarcation because when a reserve member retires, it can be between five to 15 years of minimal contact between that individual and the service. And 18 months before their 60th birthday, they will get a letter informing them they have to request their retirement payments.

And with this packet would be an ideal time to include information about enrollment because also in the reserves, many individuals go until their 65th birthday not realizing that from a period of age 60 to 65 their families qualify for TRICARE Standard or TRICARE Prime.

Mr. McHUGH. Thank you, Captain.

Yes, sir.

Colonel VANN. Mr. Chairman, I would like to first piggy back on what Dierdre said a moment ago about enrollment and agree with those who think that there should be an annual enrollment. From my point of view, I have had no communication. Those in our group from the Grass Roots have had no communication in TRICARE Standard in over five years in anything other than EOB.

So it is difficult to get information to them if you do not even know who they are. But commenting also on the issue of provider participation, raising reimbursement rates, to us—is the entire problem is nothing new to those of us in the Grass Roots. It has been there since TRICARE started, has only gotten worse. And raising reimbursement rates, although it is a vital part of it is only—I would not want to say tinkering around the edges.

But it is kind of like stopping the bleeding when there are many other aspects which have already been mentioned, from claims processing. The word was out when TRICARE started about TRICARE Standard and has been since CHAMPUS was dropped. Many of those providers initially dropped TRICARE Standard that were CHAMPUS providers. They see no incentive to return. And there has been no effort to contact them to ask them to return, many of who we would have like to have had continue.

The problem is partially structural since certain areas of the country were intentionally designed to be TRICARE standard only. There is no Health Maintenance Organization (HMO), so that is the only option. For instance, last year I remember there was a Dr. Storyguard that testified about an area centered around Little Rock that had a problem. Well, outside Little Rock, I can cite an example of there was one area that has 115 providers. Only seven of those accept TRICARE Standard. And only one of those seven is a general practitioner. And that doctor is not even licensed or does not even practice at the local hospital. He has no privileges. That is one example. But we do not find the problem uncommon just to Arkansas.

We have had complaints from Europe, from the Far East, all across the country. There is certain, I guess, a few states, Minnesota and North Dakota have not been mentioned as problems. But by and large, it is all across the country and is not new to us.

I could cite my own example of three years ago when my wife had surgery. She was referred to a GI doctor. And we went to the doctor and asked if they were taking TRICARE. She said they just stopped taking it.

They always took TRICARE or always took CHAMPUS feeling that since those serving their country deserved the very best in health care, that they could no longer afford to take TRICARE because there were just too many hassles.

The reimbursement rates were too low. And a few days ago, I called that same provider. I figured three years later I would check and see what her attitude was now. And I said what would it take for you to start taking TRICARE standard now. And her answer was four things: better customer service—every time they call, they get a different answer, which claims are based on. There is no single authoritative source, so the patient and provider both know where they stand. The rules, regulations, contracts change frequently. Neither the beneficiary nor the provider is informed of those often. I could cite my own example of last year, physical therapy. I think it was September, October.

The requirements changed in the contract for physical therapy. That word was never put out to the beneficiaries. I happened to find out about it in April when I was involved in getting some myself.

The second thing is timely payments. She said payments continue to be not timely from what she had heard. The reimbursement rates, even if they were raised ten percent or on a one time basis, if there is no mechanism or means for adjusting them, then they are going to go right back down. And so there is some hesitation to return because of that.

Mr. MCHUGH. All right. So I take it your answer is you would enroll? Thank you. I did not in any way mean to suggest that my question to the good doctor about enrollment—and by the way, now that I think about it, a social registration is not a better word. Because as Dr. Schwartz said, enrollment by its own definition would at least suggest you are excluded from any other option, including VA benefits. So there. Maybe we should change the word.

Colonel VANN. To the rest of the original question, my answer would be we encourage enrollment. We see value in it.

Mr. MCHUGH. Versus registration? No,——

Ms. SANCHEZ. Let's take a vote.

Mr. MCHUGH. I appreciate that. Let me yield to my colleagues.

Ms. Sanchez.

Ms. SANCHEZ. Mr. Chairman, you are doing a good job.

Thank you all. I know the hour is getting late. And I thank you for coming and testifying. I guess, you know, in listening to the testimony and reading some of it, I did not get through all of it, I will have to admit. It almost seems to me like the same problems that we face in the civilian workplace with respect to access and knowledge and requirements and paper work of a provider. It seems to be the same ones that I am hearing coming out of our system here

for our military. This question is to Dr. Schwartz and to Mr. Washington.

With respect to the survey and the specific areas that you have seen that beneficiaries are having difficulty with with their providers, what would you say is different than the problems that we see in the regular work force of civilians and their providers?

Dr. SCHWARTZ. Well, the difference between—TRICARE does mirror the civilian health care system. In a town that has only one gastroenterologist, someone in Blue Cross, Blue Shield is probably going to have the same problem as a TRICARE beneficiary.

Where we have limited access to providers in general, a provider can pick or choose who he or she wishes to see, and may not choose to participate in any kind of a managed care product or any kind of—you know, just take cash only. So that is consistent with the private sector.

And the other issue is with the TRICARE program, our folks are scattered to the wind. When you retire from the military, in essence you can go to your home of record, you can go to all 50 states. And there are many areas where we do not have a high concentration of military beneficiaries. And I think if you look through our survey and some of the information, some of the zip codes are some very geographically remote areas.

Ms. SANCHEZ. I saw that. Yes, we saw that. Very dispersed and sparse.

Dr. SCHWARTZ. Yes, very dispersed. And this is a survey. This is not a—

Ms. SANCHEZ. That was the other question I was going to ask you.

Dr. SCHWARTZ. Yes. The survey is self selected. Okay?

Ms. SANCHEZ. So you are really hearing from people who are pretty upset about the system—

Dr. SCHWARTZ. Yes. We are hearing from people—

Ms. SANCHEZ [continuing]. Versus the ones that like the system?

Dr. SCHWARTZ. Yes, ma'am. These are from people who are having problems with the system. So the problems with TRICARE, I feel, are provider reimbursement. Because I feel if we did pay providers enough, they would join the program. But we do not pay the providers enough. And then we do not reach out and educate our Standard beneficiaries on how to find the providers once they have them. Even if they had providers, the bennies do not know how to get them. In our testimony is a story from Plano, Texas.

Well, Plano is just down the street from Dallas. And this poor man's wife is having a stroke, and he does not know what to do. Well, if he would have had an 800 number to call, and if he would have known to call that 800 number, I am sure someone from the managed care support contractor would have said 25 miles down the road is Dallas Medical Center. Go there.

So there is this disconnect where the beneficiaries do not know what to do and yet, there is still no effort to recruit and bring in the providers into the Standard benefit. So there are a couple of things going on at the same time.

Ms. SANCHEZ. And Mr. Washington.

Mr. WASHINGTON. I would have to agree with Dr. Schwartz. Is that a lot of the problems is once you retire and you go to these

remote areas where there are no MTF's around, the provider situation is pretty much scarce. And again, with the low reimbursement rate for TRICARE Standard, they do not want to get in the network so they would have to worry about reimbursement, claims and so forth and so on.

So I have to—as a matter of fact, her association is the one that did the outstanding job on the survey. So, it is a very good instrument to follow when it comes to certain areas where you have to look for providers. But the whole problem is that reimbursement and the hassle of trying to get paid.

Ms. SANCHEZ. And then this question would be for everyone on the panel. Although I do not know that Dr. Kanof would necessarily have to answer this one.

All of you have made a lot of recommendations about what we need to do to fix this situation. If each of you can answer to me what would be the top three things if you sat on this committee that you would want to change if you could. And how would you change that?

Dr. SCHWARTZ. The first thing I would do is educate Standard providers. I happen to be in Blue Cross, Blue shield through my employer sponsored program. Attempting to get TRICARE to be a second-payer. But we can testify to that another time.

I receive a benefits book every year from Blue Cross, Blue Shield with a list of providers in my area, along with a zip code. You know, by zip code I can find a provider. So number one, contact the beneficiaries and give them a book.

Number two, recruit standard providers. There is no incentive right now to recruit Standard providers because they are trying to build the Prime network. DOD wants to encourage people to be in the Prime HMO product. So they go out and they recruit providers for the Prime because it is more cost effective for them. They can discount Medicare.

And number three, I think we really need to look at the provider reimbursements. You cannot tell me if you pay them more, you know, they cannot be a little bit more willing to take our patients. FEHBP does pay more in certain areas. For the under 65s, the FEHBP model does pay higher in areas where they do need to get providers. So those are my three recommendations. And thank you for the question.

Ms. SANCHEZ. Mr. Washington.

Mr. WASHINGTON. My number one source would be raising the reimbursement level to a more comfortable level that it would attract providers into the TRICARE network.

Number two, it would also be to educate the beneficiaries about the Standard benefit because again, I do not think there is a lot of retirees, even active duty family members out there that do not know anything about the Standard benefit.

And third of all, is to also provide an education point for providers so they, too, can understand the Standard benefit.

Ms. SANCHEZ. Thank you.

Captain HANSON. Since my testimony was addressing the specifics for guard and reserve health care, in an ideal world what I would give the highest priority to would be a continuum of medical care. But because this is a very difficult, complex and expensive

program that is yet to be fully explored, for a more immediate priority, I would be looking at those who are being mobilized.

And the aspect would be to provide them with a continuity of health care service so that people coming from civilian care could quite easily go into military care, in some cases be supported ongoing by their existing physician. And then during demobilization, get a sufficiently long coverage, not necessarily tied to the years of active duty that they have had in their past to allow them to transition back into civilian community.

Ms. SANCHEZ. I have a sort of a follow-up question to that because I am trying to understand where the real problem lies in that, let's say that I am a reservist, and I am working, and I am a police officer. And at least my police officers, when they get called up, and they get shipped out, they continue to receive the same paycheck from the public agency.

And so then the question is well, if they are going to be gone for 18 months, are you saying that the agency does not continue to pay the individual health care premium that they do because they are not considered employed, and therefore, they may not be receiving it.

I do not really know about this stuff; or, are you talking more about the reservists who do not make the money that they do in their regular jobs because their employer is not able to or does not pay for that and therefore, their insurance would lapse, and they would, you know, transition over into the military side of the health care system?

Captain HANSON. I would like to say that the policemen that are your constituents have some very generous public agencies to provide them with the coverage that they are provided. Be they public servants or working in the private sector, both health care and pay are basically determined by the employer on how generous they will be.

The only legal coverage that they have is the fact that when they complete or transition from the civilian community and have orders of 30 days or more, they are covered by, initially, TRICARE Standard. And then as the various health care providers gear up for enrollment, they are eligible within a period of time to go to TRICARE Prime with their families if they wish to.

And then, currently as the law states that if they have less than six years of active service when they get demobilized, they are covered by 60 days worth of continued health care in transition. If they have over six years of active duty accumulated, they have up to 120 days for themselves. And because of a special demonstration project provided by the Pentagon, for their families as well.

But for what they are guaranteed, there are none. So there are many corporations out there that are being patriotic and providing additional health care. We know DOD has provided continuation of premiums to allow federal employees to keep their health care. There are a lot of people who are contributing to the war efforts. But it varies from person to person.

Ms. SANCHEZ. Okay. Thank you.

Ms. HOLLEMAN. To cheat a little and jump in on Marshall's area of expertise, I have heard anecdotally from several military doctors that they are concerned about families going back into their civil-

ian programs after service and finding that they now have a pre-existing condition, and they are not being allowed to enroll back in.

It has been anecdotal, but they have been worried about that and concerned and hoping that perhaps it could be made an option to either go into to try to qualify for TRICARE Prime or to perhaps be able to have, just as the federal government has FEHBP continue, to have their pay for their civilian plans to continue be an option for the family, which might be a very good way to do it. It would be a very hard thing to get done right away, to plan that. But that would be a thing to look at.

As far as your question for me, I agree with Dr. Schwartz that perhaps education of the standard, both beneficiaries and providers, which is another way of saying recruiting. Because if they had more education, felt more comfortable, felt they could get proper answers, they would, I think, be more willing and happy to join.

Second would be the abolition of the non-availability statements. And I do agree also with Dr. Schwartz if you pay them, they will come. And that if you did increase the payments, I am sure that would be of some help. Thank you.

Ms. SANCHEZ. Thank you.

Captain HANSON. I certainly agree with the education. I would hope that it goes along with all three of my top recommendations, Congresswoman Sanchez. Number one would be, and most important, eliminate the non-availability statement immediately without any waivers.

It is not a fee for service plan as advertised. It does not offer choice. And we are paying for insurance we cannot even use. So that, in my opinion, should be eliminated immediately. And it should be a largely resource neutral recommendation.

And the second and third I would put equally because they go hand in hand. And that would be my proposal or our proposal for offering FEHBP, as we indicated in our written testimony. And at the same time, raising reimbursement rates to—I would not say Medicare levels.

I would say to the original congressional intent of Blue Cross, Blue Shield High Option at less costs than federal civilians. And if that were done, I think that would significantly improve TRICARE standard. But the two working hand in hand would give competition and accomplish a first class health care program for retirees.

Mr. MCHUGH. May I interrupt? Would the gentlelady yield?

Ms. SANCHEZ. Yes, Mr. Chairman.

Mr. MCHUGH. You just dazzled us with a reference to the Blue Cross, Blue Shield levels. Does anybody know what percentage that that—because that is how we deal with things. The prime allows for 115 percent. What would that be above the prime level of reimbursement?

Captain HANSON. I could not give a percentage. My understanding is that it is equivalent to the typical, local rate that is paid, the average rate for each area.

Mr. MCHUGH. Yes.

Captain HANSON. The reasonable charges. Eighty percent is what CHAMPUS used to pay. And it has now changed to 75 percent

under TRICARE. So I do not know if that answers the question. That would be the closest—can come.

Mr. MCHUGH. And Dr. Kanof looks as though she wanted to weigh in, if the gentlelady would continue to yield?

Ms. SANCHEZ. I am done except that I think that this whole issue of the reservists and the continuity is very important; our committee should—

Mr. MCHUGH. It is a very important one.

Ms. SANCHEZ [continuing]. Look at.

Mr. MCHUGH. And GAO in fact has done some work for us in that area. And I appreciate the gentlewoman's concern. And we will have an opportunity, hopefully, to address that issue. It is certainly something that we heard a great deal about when I took a—of four other members to Europe specifically to meet with guard and reservists. And it is a big issue. And we are looking at a number of different options. So we look forward to working with you.

Yes, that was the—that the congresswoman pulled out of at the last minute. We are all broken hearted that she did. But we know she will be there when we do the work.

But Dr. Kanof.

Dr. KANOF. There are two things. One to just follow-up on Ms. Sanchez's question. I think it is important to note because in fact, it is work that we are doing also at your request that there are still some very significant burdens, hassles within claims processing that for a physician who might only be submitting a few TRICARE claims a year really will need to be addressed if you wish to sort of facilitate their participation. So I think that is an important point to add to the other comments that have been made.

In addition, though, to go back to your comment about reimbursement, while I can say there is no plan, but paying physicians their reasonable charges through a health insurance program is probably very rare at this time.

And the fact that a physician who wants to accept a TRICARE beneficiary and take the Medicare rate plus 115 percent above that, although they have to get that money directly from the beneficiary, that should pretty much meet what is going on in their community at large.

So, a question of I do not know, number one, if they are aware of that. And number two, it is the difficulty of actually getting the reimbursement directly from a beneficiary as opposed to going through a third party insurer.

Mr. MCHUGH. Thank you, Dr., very much. And the gentlelady yields back?

Ms. SANCHEZ. Yes, I do.

Mr. MCHUGH. And I thank her for her participation, as always.

Mr. Cole.

Mr. COLE. Just briefly, thank you, Mr. Chairman. The hour is late, and we have covered a lot of ground. But, Captain Hanson, let me pick up actually on the point a couple of my colleagues made. I am particularly interested in your concerns about reservists and guardsmen and the quality of care that they have as they enter in.

I had the occasion recently to talk to a commander at Fort Sill, and they were going through a mobilization process. And I asked

him what are your two biggest problems. And he said number one, the amount of time that these people are being given notification which you made reference to in your comments.

And he said number two, teeth. He said I have learned more about teeth in the last couple of months that I thought I would learn in a lifetime just in terms of what the dental quality is.

So a couple of questions for you. One, do you have any idea what percentage of our guardsmen and reservists have pre-existing insurance, medical care, if you will as they report and what the percentage of uninsured is? Does it mirror the population or better, worse?

Captain HANSON. The GAO study that was published indicates 21 percent of guardsmen and reservists are uninsured for health care.

Mr. COLE. Have there been any discussions to your knowledge of providing those people, again, at least TRICARE Standard, something so if you did not already have medical insurance?

Because, obviously, cost here is the main problem. And you do not want to duplicate if you have a private provider already through an employer, that might not be a bad thing, but at least something to begin to fill that gap.

Captain HANSON. There is dialogue going on. Ironically, I speak on the behalf of The Coalition being a former member. And their Guard and Reserve Committee is exploring this and talking to some of the offices here on the Hill about that where they view the model for the dental plan to be a good example of how you might be able to implement a TRICARE Standard program whereby the individual reservist would be subsidized in part by the government because of the fact that they are being viewed as this instant warrior.

And then their family would be eligible at cost to the family to have coverage as well. And then upon time of mobilization, the family would transition over for the same type of coverage than an active duty member would have.

Mr. COLE. And finally, one last question. Do you have any idea if any percentage of guardsmen or reservists that show up that literally do not meet the physical qualifications ultimately?

Captain HANSON. We are inquiring to see what type of numbers we have. Like yourselves, we are getting anecdotal information back about the dental situation. Recently, the dental plan premiums did go up. And what they are finding is a lot of the younger members have been foregoing getting coverage, which gives the reserve chiefs the conflict.

Because on one hand, they would love this to be mandatory and encourage the junior members to participate. On the other hand, they know by charging these people premiums to participate they cannot really force them to do this.

Unfortunately, I do not have a percentage. We can pass this on back to the committee if we get that information. But like your own, we are hearing stories of individuals who are being called up, going to active duty dentists in preparation for mobilization who are literally pulling teeth rather than filling to prepare these people to go overseas.

Mr. COLE. That is exactly what I have heard. Well, thank you very much for your testimony. I would appreciate any additional information you do uncover.

Captain HANSON. Yes, sir.

Mr. COLE. Thank you, Mr. Chairman.

Mr. MCHUGH. I thank the gentleman.

As Ms. Sanchez said, the hour is getting late. And you good folks have been here since the beginning. And we deeply appreciate that. We particularly appreciate, not just your participation here today, but your concern on these issues and the various organizations and coalitions, committees that you represent.

And another deep word of appreciation and kudos to GAO. I can assure you all of the issues that you spoke about are of greatest concern. We also utilize these hearings to try to give those who attend, particularly in this case from the military, the opportunity to hear about those concerns so hopefully they can go back and ponder them.

But as we continue to begin our work on the 2004 authorization bill, I assure you we are going to take a very hard focus on this area. We can have on paper the best system in the world. But if the docs are not there, and if the people cannot participate, and they are not getting the care, the paper does not mean a whole lot. So we have some pretty good paper out there.

We have to work a little bit harder to make sure that it helps those folks who have earned this benefit. And with your help and support and cooperation, I am hopeful we can take some strides toward progress.

So thank you all very much.

Colonel VANN. Thank you, Mr. Chairman.

Dr. KANOF. Thank you, Mr. Chairman.

Mr. MCHUGH. And with that, the subcommittee is adjourned.

[Whereupon, at 4:41 p.m., the subcommittee was adjourned.]

A P P E N D I X

MARCH 27, 2003



PREPARED STATEMENTS SUBMITTED FOR THE RECORD

MARCH 27, 2003



DR. WILLIAM WINKENWERDER, JR., MD
ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)
MILITARY HEALTH SYSTEM – POSTURE STATEMENT

Introduction

Mr. Chairman, Distinguished Committee Members, it is a pleasure to have this opportunity to address you, and to report on the Military Health System, its significant accomplishments and the opportunities and challenges that lie ahead.

I plan to outline an ambitious program for the coming fiscal year. The budget put forward for the 2004 Defense Health Program again represents a realistic assessment of our requirements, and the anticipated private sector health care inflation rates, which do affect our program. The President's budget request anticipates a 9 percent cost increase in private sector health care costs for the Department, and requests a 15 percent growth rate for pharmaceutical costs.

Our experience in 2002 established our ability to manage our increased responsibilities in a prudent financial manner. I am confident that we will have a similarly well-managed defense health program in 2003.

In 2003, the Department's senior military medical leadership – the Surgeons General of the Army, Navy and Air Force, and the Joint Staff Surgeon – have been deeply involved in and expertly executing the operational missions for which we exist. Their leadership has been instrumental in our successful management of deployment health issues, dramatic decreases in non-battle injuries and illnesses, and expert casualty care management. Along with their operational focus, the Surgeons General have not wavered from their efforts to make TRICARE work better for all of our beneficiaries.

As we established our 2003 – 2004 priorities for the Military Health System, the senior medical leadership established a strategic plan for serving our service members, their families, and the American people. I recently met with medical commanders and senior staff from around the world to discuss these priorities. Our theme – “Protecting Our Forces, Supporting Our Families, Shaping Our Future” – also provides a context in which to review our major initiatives and priorities in our budget. This statement serves to outline the major priorities for our military health system.

Protecting Our Forces

The fundamental mission of our military health system is medical readiness. All that we do in military medicine flows from this primary responsibility – to ensure our forces receive health support for the full range of military operations to which they are called, and are maximally protected against the most significant, non-conventional threats. In support of this mission, we operate a large health care delivery system – and we endeavor to foster,

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sustain and restore the health of all 8.7 million military service members, retirees, and family members entrusted to our care.

Resumption of Anthrax Vaccine Immunization Program

In 2002, the Department of Defense (DoD), in close consultation and coordination with agencies across the federal government, made significant advances in protecting our military forces against the threat of bioterrorism. In June 2002, we announced the resumption of anthrax immunization for those forces at greatest risk. We also pledged support to the Department of Health and Human Services (DHHS) and allocated a portion of DoD anthrax vaccine to the DHHS for use in the event of a domestic crisis. To date, more than 2 million doses of anthrax vaccine have been given to more than 565,000 service members. We are working with DHHS and other federal agencies to develop a next generation anthrax vaccine for future use.

Initiation of Smallpox Immunization Program

In December 2002, President Bush announced the federal plan to resume smallpox immunization for select first responders and for military service members at greatest risk. Within days, DoD initiated smallpox vaccination for our forces. The federal government made this decision with full awareness that the smallpox vaccine has potentially severe side effects in rare circumstances. We have vaccinated more than 350,000 service members and instituted an aggressive safety program to both screen individuals who may be at risk, and then closely monitor those service members who have been vaccinated. I am pleased to report that we have seen only a few significant or severe side effects, and all of these individuals have been successfully treated and are returning to duty.

Our medical teams across the globe are providing first-hand evidence of their clinical excellence in administering these vital programs. The combination of these two vaccination programs are providing our forces with superior protection, and offering an important deterrent to any enemy who may consider using them.

Anthrax and smallpox are clear and lethal dangers to U.S. forces. These immunization programs remain our highest bioterror priority and are supported in the Fiscal Year 2004 President's budget request.

Of course, force health protection extends well beyond these vaccination programs. There is a vast array of health protection measures being employed today that provide layers of protection to our forces from chemical, biological, radiobiological exposures. We are working closely with the DoD Office of

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Chemical, Biological and Nuclear Defense Programs to accelerate the most critical of these efforts.

Medical Surveillance

As U.S. forces deploy to more locations in the global war on terrorism, we are acutely aware of the need to ensure we deploy healthy personnel, closely monitor their health while deployed, and then reassess their health upon redeployment to the United States. We are performing these vital force health protection services through a variety of means.

Today's force health protection tools include a joint theater medical surveillance program that enables commanders to identify, assess and execute appropriate early intervention measures. In addition, these commanders will have near real-time information on exposures or environmental hazards, data on medical conditions and force health status, including immunizations of US forces in the field. Our medical information specialists and clinicians have teamed to execute a program in 4 months, originally scheduled to be implemented in three years.

Other important force health protection tools include newly developed policies and plans on pre and post-deployment health, patient movement and tracking systems, personal protective equipment, improved training, decontamination and environmental hazard sampling and assessment.

Chemical-Biological Warfare Defense -- Interagency Collaboration

We have also worked closely with our federal partners and improved our collaboration with other agencies. We recently convened an interagency workshop, together with US Northern Command, to identify how the medical assets of the Department of Defense and NORTHCOM will integrate with federal health leaders in the event of a national crisis.

In 2004, we will continue to bolster force health protection measures. Anthrax and smallpox vaccination programs will continue. We will upgrade our ability to monitor individual medical readiness by introducing an individual metric for readiness. This composite metric will assess vaccination status, currency of physical exams, availability of individual medical equipment and a small selection of other critical indicators to determine the immediate availability of a service member to deploy.

Improved medical detection and medical surveillance technologies will be introduced to further enhance our "early warning" system, particularly against biological threats so that preventive or treatment measures can be more quickly implemented.

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We are also interested in seeing passage of the Administration's BioShield initiative. New authorities are needed, with appropriate safeguards, to assure rapid and effective medical treatments can be introduced quickly in response to weapons of mass destruction. The President's BioShield initiative would increase the Food and Drug Administration's authority to approve needed medical products in response to declaration of an emergency issued by the Secretary of Health and Human Services that is based on findings by the Secretary, the Secretary of Homeland Security, or the Secretary of Defense.

Finally, while not part of the Defense Health Program budget submission per se, I want to advocate on behalf of the Department's medical research and development requirements. We continue to make important headway in confronting a number of asymmetric enemy threats, particularly in the areas of biological, chemical, and radiobiological warfare. The research funded by the Department is providing essential information that can lead to even higher levels of protection for our forces in medical detection, surveillance, prevention, and treatment. In today's age, this research has applicability for all of our citizens and the civilized world.

Supporting Our Families

In order to sustain our medical readiness posture, as well as to attract and retain the best qualified Americans for military service, we operate a quality, world-wide health care system. Wherever we maintain medical capability and capacity, whether through military hospitals and clinics or contracted civilian services, our goal is a world-class health benefit that serves the health care needs of our active duty service members, retirees, the family members of both active and retired services members, and survivors. Through the operation of a clinically challenging medical practice, we ensure our health care providers and other medical experts are best prepared for their operational mission.

TRICARE

With the essential support of Congress, TRICARE is one of the most comprehensive health care benefits in the world. We continue to work hard to perfect the implementation of TRICARE benefit enhancements enacted in 2001, such as: extending eligibility for TRICARE Prime Remote to active duty family members; introducing a prescription drug benefit and a TRICARE benefit for military beneficiaries who are also eligible for Medicare.

Yet, there is more to do. In the coming year, we are introducing new programs to improve patient safety and quality health care, to improve

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customer service, particularly in the area of maternal health care, and to improve access to health care for all beneficiaries.

Quality, Family-Centered Maternal and Child Health Care

The legislative requirement to eliminate the need for non-availability statements for TRICARE Standard beneficiaries seeking private sector poses a serious threat to our readiness mission. Our surgeons and medical teams need continual on-the-job training to be effective in the field and home. Quality can be harmed if medical personnel do not have patients. Our budget proposes to bring back non-availability statements for TRICARE. In addition, the Department is re-examining our obstetric service product line. In this process, we have evaluated the full-range of family-centered medical programs in obstetrics, gynecology, and pediatrics. Our objective is to be the provider of choice for our patients. We have established customer satisfaction standards for world-class family-centered health care. We have communicated with our medical facility commanders on these standards, and begun to reach out to our beneficiaries to inform them of our standards, and of our outstanding quality outcomes. Some of the initiatives we have undertaken may take several years to meet – particularly in the area of capital improvement requirements. But we are beginning now, and we will measure our performance quarterly to ensure that this program achieves our objectives for high patient satisfaction and sustained high quality care.

Access to Care

To improve patient satisfaction, patient awareness, and ease access, we unveiled two programs in 2002. TRICARE Online is one of our most promising innovations to improve access to military health services and leverages modern technology for use by all military beneficiaries, health professionals and managers worldwide. It offers increased access to care through online appointments, secure health data, and information about all military medical facilities and providers. The pilot program we unveiled in 2002 has proven extremely successful and we are proceeding with worldwide deployment by the end of 2003.

A second initiative being tested at MTFs around the world is the “Open Access” initiative – in which appointments are made available for TRICARE Prime enrollees on the same day in which they call, whether the appointment need is acute or routine. We are witnessing both improved patient and provider satisfaction with this initiative, and are actively supporting its export to other facilities in our system.

We remain vigilant regarding access to care for all of our beneficiaries – Prime, Extra and Standard. We continuously monitor the adequacy of

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TRICARE networks, and we are particularly focused on this issue as military medical deployments increase and our direct care system is required to refer care to the civilian network. We are pleased that the percentage of health care claims filed by participating providers continues to increase – now 97% of all claims are filed by the provider, the highest number ever reached in TRICARE or the previous CHAMPUS program. We are committed to sustaining this level of network and/or participating provider availability.

Quality and Patient Safety

We recently restructured our Patient Safety Program. Our objectives for the Patient Safety Program involve improving coordination of patient safety activities across the three Services, with the Armed Forces Institute of Pathology (AFIP), the Uniformed Services University of the Health Sciences (USUHS), and the TRICARE Management Activity providing essential integrating and leadership functions. We will align our patient safety data with national standards; to increase our reporting of near misses from Military Treatment Facilities; and to create a culture of disclosure and reporting to improve systems within healthcare. Surrounding these objectives, we intend to increase patient awareness and involvement in our patient safety initiatives.

One of the most significant advancements we have made in the area of patient safety was achieved through the deployment of the Pharmacy Data Transaction Service (PDTS). The PDTS provides real-time integration of individual beneficiary prescription drug profiles from MTF, mail order and retail pharmacy points of service. In the brief time since its automation, PDTS has already alerted TRICARE providers and patients to more than 50,000 potentially life-threatening drug interactions. It was recognized recently by President Bush as one of the most outstanding innovations in all of the federal government.

Reserve Health Care Support

The Department has introduced several demonstration programs since September 11, 2001 to provide an easier transition to TRICARE for the growing number of reserve component members and their families who are called to active duty. These demonstrations have helped to preserve continuity of medical care and reduce out-of-pocket costs for these families. We are revising our administration of reserve benefits to ensure that families are not arbitrarily excluded from benefits that were intended for them. We have updated our policies to ensure that family members of reservists who are activated are eligible for TRICARE Prime Remote benefits when they live more than a one hour's commuting distance from a military medical facility.

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In addition, reservist families can enroll in TRICARE Prime if a member is activated for 30 days or more.

TRICARE For Life – Medicare-Eligible Health Care Fund

Of the important initiatives introduced in the past several years, the TRICARE for Life legislation also required a new method of accrual financing to support the program. The first year's operation was funded from the Defense Health Program appropriation, providing needed time to establish and transition to the DoD Medicare Eligible Health Care Fund. We have worked closely with the Defense Accounting and Finance Service and the Department's Comptroller to determine accounting and finance procedures for program implementation. We are pleased to note that the GAO reviewed our program and issued their report that concluded "DoD's regulations satisfy the legislative criteria for transfers from the Fund and appear to be adequate and provide a framework for the transfers to be implemented upon activation of the Fund."

Shaping Our Future

TRICARE continues to set standards as one of the premier health plans in the world. While we are proud of our accomplishments in TRICARE, we also recognized that improvements can be made in the administration of this program. This year is an important transition year for TRICARE and we have begun the transition process already.

New TRICARE Contracts

In August 2002, we issued Requests for Proposal for a new generation of TRICARE contracts – simpler, more customer-focused, easier to administer, and with greater local accountability for performance. We reduced the number of TRICARE regional contracts from seven to three, and we reduced the number of TRICARE regions from eleven to three.

The contracts include incentives for contractors to utilize local military medical facilities, and to increase patient satisfaction. We are aligning our incentive structure so that Service medical departments and local military medical commanders are similarly rewarded for cost-effective decisions to optimize use of their medical facilities.

In January 2003, the bidding process reached a milestone when competitive bids were received for each TRICARE region. We have already accomplished a major objective by ensuring market competition for each of the three regional contracts.

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We have also simplified our TRICARE contracts through selective identification of functions and services that can be more easily administered through single, nationwide contracts, or through more focused, local solutions. For example, local MTF commanders sought, and we provided more direct control of contracting for local support functions such as appointing and resource sharing with civilian providers for support to military hospitals and clinics.

We have competed and awarded a national mail order pharmacy contract that began March 1, 2003. This will be followed by a single national retail pharmacy contract that will shortly be competed. The establishment of national pharmacy services will enhance our own management of this high-cost service, and enhance customer service for patients traveling in different regions are requiring short-notice prescriptions.

TRICARE Governance

The most important element of our TRICARE transition, however, is our effort to ensure a seamless transition for our patients. The establishment of a new governance model for TRICARE that focuses on local health care needs will best support this transition.

Over the next several years, our Lead Agent offices around the country will have a critical role in this transition. For 2003, we have fully operational TRICARE contracts that continue to require the full efforts of our Lead Agents staffs in coordinating and overseeing contractor performance. In 2004, those contracts will still be operational for several months. The transition issues between contractors will require intensive oversight and coordination that will largely be conducted by Lead Agent staff. As the contract transition passes, there will be a migration of Lead Agent staff responsibilities from regional matters to local health care market management. Our Lead Agent/Market Management offices are all located in areas of significant military medical capability as well as sizable beneficiary population needs, and thus represent areas of importance for the Department for the foreseeable future. The Lead Agent/Market Manager duties may differ in some respects but the need for experienced health care executive staff with knowledge of local market circumstances will remain.

To further our ability to best deliver services in local health care markets, the Department is studying health care delivery in those markets served by more than one military medical treatment facility. Our objective is to identify business practices that allow us to sustain high quality health care programs, to include graduate medical education programs, and ensure patient satisfaction with access to these services.

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Metrics

The DoD medical leadership has established a long-term strategic plan, using the Balanced Scorecard model. As part of this strategic plan, we have established a series of metrics and performance targets for our health system. Although there are a number of important measures, we have selected three indicators that will receive great visibility throughout our system. These indicators are:

- ❑ An Individual Medical Readiness metric to determine individual service member's medical preparedness to deploy. This is a new, joint service metric that promises to provide valuable information to both line and medical leadership.
- ❑ Patient Satisfaction with Making an Appointment by Phone. While we will measure a number of patient satisfaction indicators with access to health care, we are providing heightened attention to the specific indicator of phone access, which we have found to be a significant determinant of overall satisfaction with access. We will also measure ourselves against civilian benchmarks on this item.
- ❑ Patient Satisfaction with the Health Plan. This comprehensive review of patient satisfaction with their health plan provides a perspective on our overall performance on behalf of our patients. Similar to the previous metric, we will again compare ourselves to civilian benchmark standards.

Recruitment and Retention of Quality Medical Professionals

Ensuring that we maintain skilled staff across the MHS remains one of our top priorities in DoD. There are several avenues through which we obtain talented health care professionals. The Uniformed Services University of the Health Sciences (USUHS) is dedicated to the preparation of health care professionals to serve, lead and educate members of the military health system. Its military unique curricula and programs, successfully grounded in a multi-service environment, draw upon lessons learned during past and present-day combat and casualty care experiences. In addition to its education of military health professionals, USUHS makes available a significant number of courses to health professionals across the nation.

We also seek to recruit and retain health professionals through a variety of educational offerings and financial incentives. I am pleased that we were able to use Critical Skills Retention Bonuses this year to retain a significant number of medical personnel in critical specialty areas. In the coming year, working closely with Congress, we hope to further streamline our medical

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professional bonus programs and provide greater flexibility in targeting financial incentives to those serving in our most critical and at-risk areas.

Using Information Technology to Improve Patient Care

The Military Health System is incorporating new technology into all aspects of our operations, and the infrastructure we are putting into place now and over the next two years will put the MHS in the forefront of health care systems worldwide. Several of these information systems deserve special recognition.

The Composite Health Care System II (CHCS—II) is the military's electronic computer-based patient record -- a clinical information system that will generate, maintain and provide secure online controlled access to a comprehensive health record for service members, their families, retirees, their families and other eligible beneficiaries. This system will enable population health reporting by storing all patient data in a central location; it will maintain the integrity of patient data and standardization; and it will provide clinical functionality for the Theater Medical Information Program. CHCS—II has passed several important program milestones and is being deployed to additional sites now. Following one more evaluation of its performance, we will make a decision on worldwide deployment in late Spring 2003.

The Defense Medical Logistics Standard Support program provides the right medical product at the right price at the right place and at the right time to our health care providers worldwide in peace and in war. This system has proven its value in supporting health care providers in a timely manner, and in eliminating the need to maintain large inventories of medical products.

While we are proud of our significant advances in using technology, trust remains the bedrock of a successful doctor-patient relationship and the expectations that our service members, retirees and families rightly have. Electronic sharing of health care information provides great advances in patient safety, in reduced errors in claims processing, and in improved customer service. But, there are risks in electronic communications that must be identified and measures implemented to prevent or manage those risks. The military health system information assurance program vigilantly protects patient information. We are proceeding with the appropriate use of technology, backed by an information security program, recently bolstered to standards beyond those seen commonly in the private sector, which protects the privacy and confidentiality of all patient information.

Improving Collaboration with the Department of Veterans Affairs

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Just as we have done in the area of force health protection and medical readiness, we are also pursuing a more collaborative approach with our federal partners in our health care delivery system. In any discussion of collaborative initiatives, the DoD – VA relationship is a frequent and important topic.

We have established a Joint Executive Committee, led by the Under Secretary of Defense for Personnel & Readiness, and the Deputy Secretary of the Department of Veterans Affairs. We have established a joint DoD/VA strategic plan and expect that this will be our roadmap over the next few years to develop solid goals and performance measures and serve to further institutionalize our relationship

The Joint Executive Council oversees the Health Executive council and the newly established Benefits Executive council. Together these have:

- ☐ Concluded an agreement establishing a single discounted rate for the provision of medical services between DoD and VA. We believe this will encourage more efficient sharing of resources
- ☐ Initiated a system for the transfer of protected electronic health information so we can send veterans' service health records to the VA electronically. By 2005, our plan will allow physicians in both organizations to access health data of joint beneficiaries or individuals at joint venture sites.
- ☐ Facilitated procurement sharing agreements under which we either buy together, or one uses the preferential procurement arrangements of the other (as we are doing in pharmacy)
- ☐ Working with VA so that DoD's Defense Enrollment and Eligibility Registration System (DEERS) can be used to allow for a seamless transition from active duty to veteran status

We are collaborating on future facilities planning, through a coordinated approach to our BRAC process and VA's infrastructure realignment process "Capital Asset Realignment for Enhancement of Services (CARES). We are excited about new models for facility planning being considered.

Conclusion

Mr. Chairman, our responsibility to provide a world-class health system for our service members, our broader military family, and to the American people has always been recognized by the Congress, and on behalf of the men and

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women who serve in the US Armed Forces, I am very grateful for your past and future support of the Military Health System.

I look forward to working closely with you and your staffs in the coming weeks and months to provide whatever information you need to better assess our ability to execute our mission on behalf of the American people.

Thank you.

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RECORD VERSION

STATEMENT BY

LIEUTENANT GENERAL JAMES B. PEAKE

THE SURGEON GENERAL

UNITED STATES ARMY

BEFORE THE

HOUSE

COMMITTEE ON ARMED SERVICES

SUBCOMMITTEE ON TOTAL FORCE

UNITED STATES HOUSE OF REPRESENTATIVES

FIRST SESSION 108TH CONGRESS

ON HEALTHCARE IN THE UNITED STATES ARMY

27 March 2003

NOT FOR PUBLICATION

UNTIL RELEASED BY THE

HOUSE COMMITTEE ON ARMED SERVICES

SUBCOMMITTEE ON TOTAL FORCE

Mr. Chairman and Members of the Committee, I am Lieutenant General James B. Peake. I thank you for this opportunity to appear again in front of your committee. This is my third time before you as the Army Surgeon General and each time it has been a different environment of challenges. Each has underscored the importance of Army Medicine specifically and military medicine in general.

All around the world, Army medical personnel are serving in splendid fashion to carry out our mission of supporting America's Army as it defends freedom.

That a soldier could be severely wounded in Afghanistan on a Monday and on Saturday night be at Walter Reed Army Medical Center in Washington, D.C., telling me of his care at the forward surgical team in Afghanistan, his movement to the combat support hospital in Uzbekistan; the transit through the Air Force facility at Incerlick, Turkey, and the operation he got at Landstuhl, Germany -- all in less than a week -- is nothing short of miraculous.

The Army prepares for possible combat in Southwest Asia with confidence in its medical support. While we prepare to help carry out national policy in that arena, we also carry on other missions. We are providing quality medical assistance in over 20 countries today. Medics are helping keep the peace in the Balkans, standing guard in Korea and Europe, supporting anti-terrorist efforts in

the Philippines, training on medical assistance missions in Central America and supporting assistance missions in Africa.

We made visible progress in the past year transforming our field medics into the new 91W Healthcare Specialist Military Occupational Specialty. I am frankly excited at the increase in emphasis on medical skills that can mean the difference between life and death for a soldier on the battlefield.

To continue this success between the garrison and field units is paramount. Visiting the 25th Infantry Division in Hawaii, I walked the lanes for combined Expert Infantry and Expert Field Medical Badge testing. It reaffirms the unique link that we in the Army Medical Department (AMEDD) have with those who close with and destroy the enemy, and underscores the need to hone medical skills as we are doing with the 91W program.

This marriage between garrison and field operations is also where we need to go for the longitudinal, digital record of patient care. We are not where we need to be, but we have an exciting axis of advance with CHCS (Composite Health Care System) II and the linkage with the corresponding theater system, CHCS II (T). I am anxious to see the Stryker Brigade at FT Lewis demonstrate the use of the hand held input devices at the level of the medic, in garrison or in the field. This device digitizes the key information of the patient encounter at the first level of care and will follow that patient, ensuring that vital information is archived and longitudinally available, to enhance his or her care wherever in our

system he receives his follow on care. Resourcing this transformational process will create the model for health care across the nation.

We have transformed 28 percent of Corps and Echelon Above Corps medical force structure through the Medical Reengineering Initiative (MRI). The transformed units promote scalability through easily tailored capabilities-based packages that result in improved tactical mobility, a reduced footprint and an increased modularity for flexible task organization.

MRI supports the Army Legacy and Interim Forces and is the organizational "bridge" to the Objective Medical Force. MRI enables supported Army, Joint Force, Interagency and Multinational leaders to choose among augmentation packages that result in rapid synchronization of enabling medical capabilities.

Within the Army Reserve, this force structure results in improved personnel readiness due to reduced personnel requirements. It also improves the average age of Army Reserve hospital equipment sets, due to redistribution of newer sets against reduced requirements. We must keep moving along this path to improved responsiveness

Medical Research and Materiel Command is making great progress in equipping medics to serve with the transformed Army of the future on expanded, technology-dense, rapidly-changing battlefields.

Some of the recent initiatives include:

- The Forward Deployable Digital Medical Treatment Facility, a research platform to develop lighter, more mobile field hospitals using new shelters and technology. Plans are for two to four soldiers to be able to carry and set up a tent and all the equipment in it. The facility will include a wireless local area network and a communication system interoperable with the Warfighter Information Network architecture.
- Portable oxygen generators to avoid the necessity of transporting numerous 150-pound canisters of oxygen to field medical units. We have already seen the value of this as we prototyped into Afghanistan.
- The Telemedicine and Advanced Technology Research Center is exploring how personal digital assistants can be used to improve medical record keeping, give providers instant access to medical information and patient histories, alert providers of lab results, speed the flow of information and shorten the time medics on the battlefield must spend filling out forms. One deploying brigade has been outfitted with a prototype of an electronic "dog tag" to make sure we understand how this might change our business practice and improve our record keeping in the ground combat scenario.
- The U.S. Army Medical Materiel Development Activity and Meridian Medical Technologies developed an improved autoinjector for nerve-agent treatment shots, which was approved by the Food and Drug Administration last year. The injector allows a soldier to inject atropine and 2 pralidoxime chloride through the same needle. Compared to older equipment, it will take up less space, is easier to carry, easier to use and puts the drugs to work faster.

The Interim Brigade Combat Teams are beginning to receive the first Stryker Medical Evacuation Vehicles. With a top speed of 60 miles an hour, this armored ambulance will be able to keep up with the fight. It can carry four litter patients or six ambulatory patients, and allows basic medical care to be provided during transport. The excitement is palpable in our young soldiers who have had their first hands on experience with this vehicle. They see it designed with enroute care in mind; a medical vehicle that can keep up with the force, share a common, maintainable platform, and link to the common operating picture with those they support.

The deadly potential of chemical, biological, radiological, nuclear or high-yield explosive (CBRNE) weapons has been known for centuries, but never before has the threat seemed as evident or as imminent.

This history underscores the importance of the medical system as the front line of defense. In the past year we have emphasized the training of all Army Medical Department (AMEDD) personnel to ensure we have the edge when it comes to responding to the threat of terrorism using CBRNE weapons. The Army Medical Department Center and School has prepared exportable, tailored and scalable courses for use at medical treatment facilities; it is addressing CBRNE in every short and long course; and addressing CBRNE casualties in every ARTEP (Army Training and Evaluation Program) unit testing program.

Among the course changes:

— AMEDD soldiers common skills. In addition to long-established NBC defense skills and buddy aid, all AMEDD soldiers get CBRNE orientation and patient decontamination training.

— Advanced Individual Training and functional courses. Military specialty training courses and specialized skill courses have incorporated specialty-specific CBRNE instruction, including both classroom and field exercise segments

— Leadership courses. These now include basic, intermediate or advanced Homeland Security classes including information about the Federal Response Plan, the Army's CBRNE role and leader skills required by the audience.

— Primary Care courses. Army medics are learning CBRNE first-responder skills. CBRNE training for physicians, nurses, physician assistants and dentists is part of officer basic training. "Gold standard" courses, such as the Medical Management of Chemical and Biological Casualties, and Medical Effects of Ionizing Radiation, are being incorporated into physician/physician assistant lifecycle training plans.

— Postgraduate Professional Short Course Program (PPSCP). These courses now embody course-specific CBRNE training, plus a Web-based "Introduction to CBRNE" review that is now a prerequisite for PPSCP enrollment. The interactive program is available at www.swankhealth.com/cbrne.htm. It provides both narration and text, with additional details available at the click of a mouse. It includes a history of CBRNE incidents, the nature of the terrorist threat, descriptions of agents and symptoms, a glossary of terms and links for additional information.

Our AMEDD Center & School is also developing and disseminating exportable products, including emergency-room training materials; a SMART (Special Medical Augmentation Response Team) training package; a CBRNE mass-casualty exercise program for medical treatment facilities; ARTEP tests that embody CBRNE challenges; and proficiency testing materials.

A three-day CBRNE Trainer/Controller course was held in San Antonio, Texas. It brought in 226 people from all Army medical treatment facilities – including caregivers and officials charged with planning emergency-response plans. The audience was schooled on both clinical aspects of managing CBRNE casualties and the organizational aspects of managing CBRNE mass-casualty emergencies. Attendees went home with materials they can use to deliver CBRNE instruction to their colleagues, guidance for developing CBRNE emergency plans that meet Joint Commission on Accreditation of Healthcare Organizations standards; and scenarios and evaluation guidelines for CBRNE exercises.

Planners at the U.S. Army Medical Command have drafted formal guidance to medical treatment facilities for planning, training and preparing to support their installations, communities and regions during CBRNE incidents. They are aggressively pursuing links with other commands and civilian agencies to smooth the processes of communication, synchronization, coordination and integration needed to support the Federal Response Plan.

We have organized Special Medical Augmentation Response Teams (SMART) to deliver a small number of highly-skilled specialists within hours to

evaluate a situation, provide advice to local authorities and organize military resources to support response to a disaster or terrorist act. These teams, located at Medical Command regions and subordinate commands throughout the country, have critical expertise in nuclear, biological and chemical casualties; aeromedical isolation and evacuation; trauma and critical care; burn treatment; preventive medicine; medical command, control, communications and telemedicine systems; health facilities construction; veterinary support; stress management; and pastoral care.

These teams are organized, equipped, trained and ready to deploy within 12 hours of notice. Their capabilities were demonstrated last year when seven members from Tripler Army Medical Center deployed from Hawaii to the Pacific island of Chuuk to assist residents injured during a typhoon.

Last year patient decontamination equipment was fielded to 23 medical treatment facilities with emergency rooms, and personnel have been trained in its use. With this equipment, up to 20 ambulatory patients an hour can be decontaminated. Another 33 MTFs will be similarly equipped during the current fiscal year.

We also purchased 1,355 sets of personal protection equipment for emergency responders and SMART team members; and 11 chemical detector devices for selected medical centers and the SMART-NBC.

We are partners with the Centers for Disease Control and Prevention in the Laboratory Response Network, which is augmenting a regional system of reference labs to quickly test and identify suspected pathogenic agents like

anthrax. The AMEDD is designing seven high-containment Biosafety Level 3 labs – five in the continental United States, one in Hawaii and one in support of our Forces in Seoul, Korea. Construction is scheduled to begin in September.

The U.S. Army Medical Research Institute of Infectious Diseases (USAMRIID) at Fort Detrick, Md., is a great national resource of expertise on dealing with dangerous diseases, whether natural outbreaks or the result of biological warfare. When anthrax-laced letters were sent through the mail in 2001, USAMRIID geared up for a phenomenal effort to analyze thousands of samples collected from possibly-exposed sites, looking for the deadly bacterium. They continue to assist law enforcement agencies attempting to identify the criminal responsible for these acts of terrorism.

USAMRIID now is partnering with the National Institute of Allergy and Infectious Diseases (NIAID) at Fort Detrick on biodefense-related diagnostics, drugs and vaccine research. This effort will marshal research capabilities while leveraging resources in response to the nation's changing needs and builds on a long, productive relationship in collaborative research.

Addressing these changing needs required additional research infrastructure. USAMRIID is planning to expand its current facilities and continue its mission of research on drugs, vaccines and diagnostics to safeguard the health of the nation's armed forces. NIAID is set to construct an integrated research laboratory to implement its complementary mission of conducting biodefense research to protect the public health. The new facilities will house biosafety laboratories comprised of Biosafety Level 2, 3 and 4 areas.

USAMRIID and NIAID have been joined by representatives from the Department of Homeland Security, the Department of Agriculture and other federal agencies to lay the groundwork for an Interagency Biodefense Campus at Fort Detrick. The interagency campus takes advantage of existing infrastructure and security at Fort Detrick to promote potential sharing of facilities and leveraging of intellectual capital among federal researchers studying disease-causing microbes that may be used as agents of bioterrorism. Construction is expected to take place over the next several years.

While all this is going on, we still have a mission of operating hospitals and clinics, providing day-to-day health care for our beneficiaries. Last year we began providing care under TRICARE For Life, and we are preparing for a new generation of TRICARE contracts.

It seems one cannot open a newspaper or a magazine without reading about the soaring cost of health care; about the escalating malpractice crisis that is driving physicians to leave the practice of medicine; about the increasing cost shifting from employer to individual; about the restrictive practices that third-party payers impose to be able to profit and survive in this market.

We in Army Medicine coexist in that world of health-care costs. But we continue to place our patients first, whether we are talking about families, retirees or soldiers on point. The ability to respond to warfighters, providing care from forward surgical teams to combat support hospitals, depends on the quality base of our direct-care system.

We are in the era of accountability -- for efficiency as well as outcomes and quality. We have adopted a business case approach to justifying requirements that has established credibility for our efforts.

Metrics show improvement in medical board processing, operating-room backlogs and cancellation rates. Routine things like officer and NCO efficiency report timeliness; travel card payment and data quality show positive trends. Both Congress and the GAO have cited the AMEDD as a leader in health facility planning and lifecycle management.

Recently we presented the second annual Excalibur Awards, recognizing excellent performance by AMEDD units and providing an opportunity to share information and stimulate improvements. The medical activity at Fort Hood, Texas; the AMEDD Center and School at Fort Sam Houston, Texas; the 82nd Airborne Division at Fort Bragg, N.C.; and the Kentucky Army National Guard's 1163rd Area Support Medical Company were recognized for initiatives in management of patients with resource-intensive medical conditions, use of satellite communications for extended learning, and innovative approaches to 91W training.

I am confident that the restructuring of the new TRICARE contracts will lead to smoother business processes and better fiscal accountability across the Military Health System. The reduction in contract regions will have a direct effect on the portability issue, as will the national carve-out for pharmacy services. All of this is an important component of our ability to keep faith with the promise of health care for those serving and those who have served. But the TRICARE

Contracts are only a component. The heart of our ability to project the right medical force with and for those we put in Harm's way comes from our Direct Care base. The quality of the training programs, the focus on the unique community of soldiers with their world wide movement in support of our National Military Strategy, understanding unique stresses and strains on their families, the trust and confidence engendered by customer focused quality care is a force multiplier for the service member and the insurance for quality care on the battlefield. General Shinseki has established THE Army as our standard. It underscores the tremendous importance of our Reserve Components. The importance of the interplay with the direct care system of these Twice-the-Citizen Medical Soldiers cannot be overstated. The current tempo of this Global War on Terrorism could not be sustained without them. The continuity of our system with consistent care and in the familiar medical environment... "Institutional Continuity of Care" even if their usual doctor is deployed is important and a constant in a disrupted life. It is our dedicated reservists who train to this mission, and to whom we turn to sustain the care and continue the quality of our training programs that are feeding the force for the next battles in this Global War on Terrorism.

We looked closely at the lessons of Desert Storm and Desert Shield on the use of our Reserve medical force and have implemented 90-day rotation to minimize the impact on the home communities and to reduce the potential for unrecoverable financial hardships. We have made extensive use of Derivative

Unit Identification codes that allow us to identify and only mobilize the exact skill sets that we need in the minimum numbers to sustain the mission and targeting them specifically to the location where they are needed. This is in contrast to the wholesale mobilization of these units and later sorting out where and how they might be best used. Many Medical professionals want the opportunity to serve their country. These policies and procedures will enable them to stay with us in the Reserves and contribute to this important mission.

We appreciate the support from this committee to improve the medical readiness of the Reserve components and their families. The Federal Strategic Health Alliance (FEDS_Heal) program is improving our visibility of their health care needs and the potential for allowing dental care during the annual training periods using FEDS_Heal would be a step towards improved readiness.

The level of quality, the ingenuity, the leadership of our noncommissioned officers, the flexibility and agility of leaders at all levels meeting the unique demands of each mission, tailoring the capabilities packages as missions demand ... all make me proud of our AMEDD. It is the kind of "quiet professionalism" – as it was described by a senior line commander – that will assure our success in supporting the force as we continue to root out terrorism.

All that I have highlighted reinforces our integration into tenets of General Shinseki's transformation strategy

One can only speculate on what this new year of 2003 might bring ... where we in the Army Medical Department might find ourselves committed around the globe. However, one can confidently predict that wherever we find ourselves, we will be caring for soldiers and soldiers' families with excellence and compassion.

I would like to thank this Committee for your continued commitment and support to quality care for our soldiers and to the readiness of our medical forces.

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THE HOUSE ARMED
SERVICES COMMITTEE

VADM MICHAEL L. COWAN
SURGEON GENERAL OF THE NAVY
BEFORE THE
HOUSE ARMED SERVICES COMMITTEE
TOTAL FORCE SUBCOMMITTEE
ON
DEFENSE HEALTH
27 MARCH 2003

NOT FOR PUBLICATION UNTIL
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HOUSE ARMED
SERVICES COMMITTEE

Michael L. Cowan
Vice Admiral, Medical Corps, U.S. Navy

Surgeon General of the Navy and
Chief, Bureau of Medicine and Surgery

Vice Admiral Michael L. Cowan, MC, became the 34th Surgeon General of the Navy and Chief, Bureau of Medicine and Surgery on Aug. 10, 2001.

Raised in Fort Morgan, Colorado, he attended the University of Colorado and received his M.D. degree from Washington University, St. Louis. Postgraduate training began at Temple University and after entering the Navy, was completed at the National Naval Medical Center, Bethesda. He is certified in Internal Medicine, and as a Physician Executive of the American College of Physician Executives.



Vice Admiral Cowan began his Navy career as a General Medical Officer at Camp Lejeune, North Carolina in 1971, and was promoted to flag rank while serving as Commanding Officer at the same hospital 25 years later. In between, he has held a wide variety of clinical, research, operational, staff and leadership positions, which include:

- Deputy Executive Director and Chief Operating Officer, TRICARE Management Activity (TMA)
- Chief of Staff, Assistant Secretary of Defense (Health Affairs)
- Surgeon to the Joint Staff
- Commander, Defense Medical Readiness Training Institute (DMRTI)
- Commanding Officer, Naval Hospital Camp Lejeune
- Medical Officer, Surface Forces Pacific
- Task Force Surgeon, Operation Restore Hope, Somalia
- Senior Research Fellow, National Defense University
- Vice Chairman, Department of Military Medicine, USUHS
- Chief of Internal Medicine, USNH Rota, Spain

Throughout his career he has contributed to important advances in the military health system to include: the Military Training Network for Resuscitative Medicine (MTN); the National Disaster Medical System (NDMS); DMRTI; and the integration Force Health Protection Doctrine into Joint Staff Joint Vision 2020. At TMA, he played a major leadership role in the implementation of the National Defense Authorization Act of 2001, the TRICARE e-health initiative and The National Enrollment Database.

Awards and Recognitions include:

- Defense Distinguished Service Medal (2)
- Defense Superior Service Medal
- Legion of Merit (2)
- Nathan Davis Award (American Medical Association)
- University Medal (Uniformed Services University of the Health Sciences)
- Order of Military Medical Merit (U.S. Army)

VADM Michael L. Cowan, MC, USN
Navy Surgeon General

FY03 Posture Statement

This has been a challenging and rewarding year for the Navy Medical Department. We have successfully responded to many challenges placed before us, and we continue to face a period of unprecedented change.

For Navy Medicine, it meant changing our very being and even our motto from Charlie-Golf-One, which means in naval signal flag vernacular "standing by, ready to assist" to Charlie-Papa, "steaming to assist," deploying with Sailors and Marines who will go in harm's way, taking care of the full spectrum of world events from peacemaking to major regional conflicts.

It has been a decade of uncertainty, and what has emerged from the confusion and uncertainty is the ascendancy of enemies who know our military superiority, yet won't allow it to dampen their ardor to harm us and influence our power, prestige, economy, and values.

Our enemies have struck with tools that are seemingly effective: global terrorism and asymmetrical warfare. During the years of the Cold War, America's paradigm was to train and prepare for war in safe homeland bases in our country that were protected by two large bodies of water. We defended the citizens of the United States by fighting our wars overseas. But these enemies have successfully brought the war to our backyard. Now the challenge is how to also protect the citizens of the United States in their own homes.

Force Health Protection

The primary focus of Navy Medicine is Force Health Protection. We have moved from "periodic episodic healthcare" and the intervention and treatment of disease to population health and prevention and the maintenance and protection of health. This doesn't, however, change the physiological deterioration of the human body when pierced by a bullet. Medical support

services are more essential than ever since those fewer numbers have greater responsibilities within the battle space. Take these complexities, and translate them into providing good medicine in bad places over great distances and the challenge become even more daunting. Yet one thing is certain - no organization in the world provides healthcare from the foxhole to the ivory tower the way Navy Medicine does.

Force health protection can be summed up in four categories: First, preparing a healthy and fit force that can go anywhere and accomplish any mission that the defense of the nation requires of them. Second, go with them to protect our men and women in uniform from the hazards of the battlefield. Third, restore health, whenever protection fails, while also providing world-class health care for their families back home. And fourth, help a grateful nation thank our retired warriors with TRICARE for Life. Navy Medicine has to make all those things work; and they have to be in balance. Any one individual may only see a bit of this large and complex organization. But if each of us does our part right, we end up with force health protection.

To ensure its ability to execute its force health protection mission under any circumstances, Navy Medicine has executed multiple initiatives to ensure optimal preparedness, which includes establishing a Navy Medicine Office of Homeland Security. The office is fully operational and has executed an aggressive strategic plan to ensure highest emergency preparedness in our military treatment facilities (MTF's). Its accomplishments include:

EXECUTION OF AN MTF DISASTER PREPAREDNESS ASSIST VISIT PROGRAM. The Navy Medicine Office of Homeland Security crafted a multi-pronged assist visit program to strengthen preparedness in Navy MTFs. A team of homeland security experts is visiting each MTF between November 2002 and April 2004 to conduct a unique program known as "Disaster Preparedness, Vulnerability Analysis, Training and Exercise" (DVATEX). Through this activity, each facility receives a hazard vulnerability analysis to identify where they may be vulnerable to attack or the impact of disaster, emergency medical response training, and

an exercise of the hospital's emergency preparedness plan is executed – a critical step in enhancing readiness. This, and multiple other critical initiatives, were funded by a mid-year Congressional supplemental funding action.

ENHANCED EDUCATION FOR MEDICAL DEPARTMENT PERSONNEL. Well-educated clinicians are a critical part of homeland security. Navy Medicine sent over 450 physicians, nurses and corpsmen to the 'gold standard' medical management of chemical and biological casualties training program at the U.S. Army Institute of Infectious Disease (USAMRIID). An extensive online training program for Navy Medical Department personnel on response to weapons of mass impact and emergency preparedness is in development at the Naval Medical Education and Training Command.

PHARMACY OPERATIONS EMERGENCY PREPAREDNESS. A task force of Navy Medicine pharmacy experts is taking action to ensure strong emergency pharmacy operations and adequate stockpiles of critical medicines and antidotes.

SMALLPOX THREAT MITIGATION. Navy Medicine is leading 2 DOD Smallpox Emergency Response Teams (SERTs) and has executed the initial phase of the DOD smallpox immunization plan.

Readiness/Contingency Operations

As we move into this new millennium, our Navy and Marine Corps men and women are called upon to respond to a greater variety of challenges worldwide. This means the readiness of our personnel is now more important than ever. Military readiness is directly impacted by Navy Medicine's ability to provide health protection and critical care to our Navy and Marine Corps forces, which are the front line protectors of our democracy. That's what military medicine

is all about – keeping our forces fit to fight. Our readiness platforms include the two 1,000 bed hospital ships, 6 Active Duty and 4 Reserve 500 Bed Fleet hospitals, as well as different medical units supporting Casualty Receiving and Treatment Ships (CRTS) and a variety of units assigned to augment the Marine Corps, and overseas hospitals. Navy medicine is more flexible now than we were even a few short years ago. Fleet hospitals have been modified to allow smaller and lighter expeditionary modules to be deployed. Yet even those are not flexible enough. Our combat planners are designing a more modular approach to enhance our operational capabilities. The ultimate goal is an ability to task and organize a medical force to rapidly provide support for the full range of potential military operations anywhere on the globe.

I am very glad to report that the Next Generation 4/2 (DUAL SITE) Concept Fleet Hospital (FHSO) gained final approval in April 2002. The first ever-major Fleet Hospital reconfiguration and program change since the command's inception over 20 years ago, this achievement will provide a truly modular, plug and play hospital that will better meet the challenges of today and provide a bridge to the development of the "Fleet Hospital of the Future". The first 4/2 concept hospital will be built during the Integrated Logistics Overhaul (ILO) of Fleet Hospital NINE beginning in April 2003 and ultimately provide greater flexibility and operability to the Maritime Preposition Forces. In addition, a design for a small 10-bed Expeditionary Surgical Unit (ESU) with an even smaller 4-bed Surgical Component (SSC) is being developed. These new, smaller products have been imbedded into the recently approved Next Generation 4/2 Concept Fleet Hospital for less than \$100K, and provides Navy Medicine with a new response packages to meet the new threat of asymmetrical warfare by providing between Level II and III care. Both the ESU and SSC are intended to provide the FH program with its first ever air-mobile asset and will serve as the foundation for providing humanitarian and disaster relief. The first of these products was implemented with the rebuild of FH08 EMF in September 2002.

Last year, Navy medical personnel supported numerous joint service, Marine Corps, and Navy operations around the world. We flawlessly performed dozens of deployments supporting

the war in Afghanistan, and in support of our national strategy, a fleet hospital still provides daily health care services to the Al Qaeda and Taliban detainees at Guantanamo Bay, Cuba. Our medical personnel have also provided preventive medical services, humanitarian care and relief to many countries around the globe.

Over the last few weeks, thousands of Navy Medical Department personnel have deployed to the 1,000 bed hospital ship USNS Comfort, to three fleet hospitals (in their 116 bed Marine Expeditionary Force Configuration) and have augmented Navy and Marine Corps forces world wide, many of whom are deployed in forward areas.

Navy Medicine will continue focusing on improved contingency flexibility in the field and afloat. Our medical care starts right in the midst of battle through the service and dedication of hospital corpsman. Navy Hospital Corpsmen have been awarded the Medal of Honor more often than any specialty in the Navy. Navy-Marine Corps history is filled with heroic acts performed by corpsmen to reach and retrieve wounded Marines. As the Marines deployed to Afghanistan and now to the Middle East, there are always hospital corpsman with them. The ratio can vary according to the mission, but the ratio is around 11 corpsmen per infantry company, which has between 120 and 130 Marines.

Corpsman training includes surgically opening an obstructed airway, fielding dress battle wounds, starting IVs, patching a lung-deep chest wound, treating battle injuries in an environment contaminated by chemical or biological weapons, and immobilizing spines of Marines whose backs are broken by explosions.

Navy Medicine has also established training for combat surgical support to enhance the capabilities of the Forward Resuscitative Surgical System deployment by USMC. The cornerstone is the Navy Trauma Training Center at LA County/University of Southern California Medical Center, which convened its first class in August 2002 of physicians, nurses and hospital

corpsman tasked with far forward surgery operational assignments. The program is projected to train approximately 120-150 students annually.

In the 1991 Gulf War, our forward units moved so quickly into Iraq that it took an average of two hours to get a casualty to rear-guard medical facilities. Navy Medicine now has trauma doctors with the equivalent to a six-bed emergency room, as part of the Marine Corps' Combat Service Support Company, that follows the front lines on trucks and helicopters. Navy medicine will have trauma doctors available within 30 to 60 minutes of an injury, which reflects our persistent effort to push high quality medical care close to combat. The physicians staffing these units are combat doctors, who the Marines refer to as "Devil Docs" in reference to the nickname "Devil Dogs" that the Marines earned in World War II. Its expected that the emergency and surgery teams will receive the 10 to 15 percent of casualties who will need immediate treatment to stay alive before they can be sent to more fully equipped echelon II or III facilities in the rear. These teams of two general surgeons, one anesthesiologist and five nurses and corpsmen can perform basic chest and can handle 18 casualties in 48 hours without resupply from the rear. In just one hour, the team can pack up its two tents, one a holding area and the other a surgery room with operating lights, along with ultra-quiet power generators and X-ray and hand-held sonogram machines.

As your aware one of our hospital ship, the USNS Comfort, deployed to the Persian Gulf on 6 January 2003, and is now being fully staffed to provide 1,000 hospital beds, 12 operating rooms, CAT Scan capability and advanced medical care equivalent to university medical centers. Yet, the Navy's first-response medical vessel for injured troops may be a gray hull and not the white USNS Comfort. At the tip of the spear are amphibious assault ships like the USS Tarawa. They launch Marines by helicopter and giant hovercraft, but also serve as Casualty and Treatment Receiving Ships (CTRS: secondary floating hospitals). The USS Tarawa, comes with four operating rooms and beds for 300 patients when Marines are ashore. The medical team

manning the facility includes surgeons, neurologists, anesthesiologists, nurses and hospital corpsmen. They know how to treat nearly every battlefield trauma, including gunshot wounds and exposure to chemical and biological attacks. Their training also included the Navy's new hand-held "Bio/Chemical Detection Devices. The detection devices can determine within minutes if Marines or sailors have been exposed to chemical agents, and identify the agents. Patients treated on-board are stabilized and transferred either to hospital ships or military hospitals in Europe or the United States.

Personnel Readiness

Navy Medicine tracks and evaluates overall medical readiness using the readiness of the platforms as well as the readiness of individual personnel assigned to those platforms. One of our measures of readiness is whether we have personnel with the appropriate specialty assigned to the proper billets; that is, do we have surgeons assigned to surgeon billets and operating room nurses assigned to operating room nurse billets, etc.

The readiness of a platform also involves issues relating to equipment, supplies and unit training. Navy Medicine has developed a metric to measure the readiness of platforms using the Status of Resources and Training System (SORTS) concept tailored specifically to measure specific medical capabilities such as surgical care or humanitarian services. Using the SORTS concept, Navy Medicine has increased the readiness of 34 "Tier 1" deployment assets by 23 percent.

Navy Medicine also monitors the deployment readiness of individual personnel within the Navy Medical Department. Feeding the SORTS system is a program known as the Expeditionary Medical Program for Augmentation and Readiness Tracking System (EMPARTS), which Navy Medicine uses to monitor the deployment readiness of individual personnel and units within the Navy Medical Department. Personnel are required to be administratively ready

and must meet individual training requirements such as shipboard fire fighting, fleet hospital orientation, etc. Individual personal compliance is tracked through EMPARTS.

Augmentation requirements in support of the operational forces have significantly increased. Our Total Force Integration Plan utilizing both active and reserve inventories has greatly improved our ability to respond to these requirements. Navy Medicine's demonstrated commitment to supporting the full spectrum of operations is mirrored in our motto "steaming to assist" and is in full partnership with the Navy's "Forward Deployed, Fully Engaged" strategy.

I also believe that in order to achieve Force Health Protection we need a metric for measuring the health readiness of our fighting forces. This measure must be beyond the traditional "C-Status metric", which lacks a true measure of one's health. Navy Medicine has developed a measure of individual health, which will also facilitate our measure of population health. Our model has been accepted the Office of Secretary of Defense, health Affairs and is being expanded for use by all the Services. A final version of the model and a Health Affairs Policy memorandum is expected in a few weeks. In short, the model develops a metric that categorizes an individual's readiness status in one of four groups. The categories to be used include: Fully Medically Ready; Medically Ready with minor intervention; Unknown (i.e. no current evaluation or lost medical record) and Medically Not Ready. Each active duty member will fall into one of the four categories. The elements that will decide what category and individual falls into includes: Periodic health assessments, such as the physical exam, deployment limiting conditions, which include injuries, or long term illnesses, dental readiness using the same standards that have always been established, Immunization status and possibly vision evaluations and an individual medical equipment like gas masks eye glass inserts. The software needed to collect and track the data has already been developed and is compatible with current data systems. Readiness data can either be entered via SAMS (Shipboard automated medical system) or through our *Navy Medicine on-line program*. The information can also be stored in the DEERS database. Secure individual readiness data will therefore be

available from SAMS, DEERS or *Navy Medicine on-line*. Reports will array data by command and drill down to an individual, and can be accessed by line leadership..

I am also pleased to report that we recently implemented a new Reserve Utilization Plan (RUP) that has optimized our use of reservists during peacetime and contingencies. The Medical RUP is Navy Medicine's plan for full integration of Medical Reserves into the Navy Medical Department. The RUP is being currently used to support the allowed 50 percent reserve augmentation of our deployed active duty staff and matches up reserve specialties with the needed services at each of our hospitals.

Our People

People are critical to accomplishing Navy Medicine's mission and one of the major goals from Navy Medicine's strategic plan is to enhance job satisfaction. We believe that retention is as important if not more so than recruiting, and in an effort to help retain our best people, there has been a lot of progress. Under our strategic plan's "People" theme, we will focus on retaining and attracting talented and motivated personnel and move to ensure our training is aligned with the Navy's mission and optimization of health. Their professional needs must be satisfied for Navy Medicine to be aligned and competitive. Their work environment must be challenging and supportive, providing clear objectives and valuing the contributions of all.

All Navy Medicine personnel serving with the Marine Corps face unique personal and professional challenges. Not only must they master the art and science of a demanding style of warfare, but they must also learn the skills of an entirely separate branch of the armed services. Whether assigned to a Marine Division, a Force Service Support Group, or a Marine Air Wing, Navy medical personnel must know how Marines fight, the weapons they use, and the techniques used to employ them effectively against harsh resistance. To excel in this endeavor is an accomplishment that should be recognized on a level with other Navy warfare communities.

As we work to meet the challenges of providing quality health care, while simultaneously improving access to care and implementing optimization, we have not forgotten the foundation of our health care – our providers. We appreciate and value our providers' irreplaceable role in achieving our vision of "Navy Medicine being the provider of choice by achieving superior performance in health services and population health."

Within each of our medical facilities there has been an overall initiative to reward clinical excellence and productivity and to ensure that those who are contributing the most are receiving the recognition they deserve. Additionally, selection board precepts now emphasize clinical performance in the definition of those best and fully qualified for promotion.

I would like to report to you on the status of our corps:

Medical Corps

The Medical Corps is currently manned at approximately 101%. This number is deceptive because there are several critical specialties in which undermanning is high and needs to be watched to avoid impacting our ability to meet wartime requirements and provide INCONUS casualty medical care: Anesthesia (82 percent manned), General Surgery (72 percent manned), Pathology (82 percent manned), Dermatology (83 percent manned), Diagnostic Radiology (79 percent manned) and Radiation Oncology (80 percent manned). Because the average loss of providers exceeds the currently programmed input, shortages are expected in FY05 in Anesthesiology, General Surgery and its subspecialties, Urology, Pathology, Radiology, Gastroenterology, and Pulmonary/Critical Care. In order to compete in the marketplace for a limited pool of qualified applicants for medical programs, and to retain them once they have chosen the Navy as a career, adequate compensation is critical. The civilian-military pay gap that has always existed has increased steadily, which makes it almost impossible to recruit or retain physicians in these high demand specialties. Strategic increases in the use of Incentive Special Pay, Multiyear Specialty Pay and use of Critical Skills Retention

Bonuses that correspond to the Navy's medical specialty shortages may help improve retention in these critically manned specialties.

Dental Corps

Despite continued efforts to improve dental corps retention, the annual loss rate between FY 1997 and FY 2002 increased from 8.3 percent to 11.8 percent. Current projections for FY 2003 predicts a 12.6 percent loss rate. These numbers represent higher actual and projected loss rates compared with similar data from last year. In addition, declining retention rates of junior officers has negatively impacted applications for residency training, which have dropped 16 percent over the last five years. The significant pay gap compared to the civilian market and the high debt load of our junior officers seem to be the primary reasons given by dental officers leaving the Navy.

Nurse Corps

Closely monitoring the national nursing shortage and increasing number of competitive civilian compensation packages, Navy Medicine continues to meet military and civilian recruiting goals and professional nursing requirements through diversified accession sources, pay incentives, graduate education and training programs, and retention initiatives that include quality of life and practice issues. Successful tools have been the Nurse Accession Bonus, Certified Registered Nurse Anesthetist Incentive Pay, Board Certification Pay, and Special Hire Authority; it is imperative that they are continued in the future years to meet our wartime and peacetime missions. In addition, clinical and patient care needs are continuously evaluated to target our education and training opportunities in support of specific nursing specialties, such as advanced practice nurses, nurse anesthetists, nurse midwives, and perioperative nurses. Over the past 2-3 years, CRNAs have been successfully retained in the Navy, creating a consistent fill of available billets based on a variety of factors. The combination of special pays (Incentive Specialty Pay and Board Certification Pay), lifting of practice limitations, and a focus

on quality of life issues have been the major factors for this success. The most recent Critical Skills Retention Bonus has had a positive influence on CRNAs staying beyond their obligated service period.

Medical Service Corps

Medical Service Corps (MSC) loss rates in general are relatively stable at about 8.5 percent, but as with the rest of the Navy, were lower than that in FY02 (6percent). Loss rates vary significantly between specialties however, and are not acceptable in all MSC professions. A key issue for this Corps is increasing educational requirements and costs. Many of our health professionals incur high educational debts prior to commissioning. Recent increases in loan repayment requirements causes issues for many junior level officers trying to repay their education loans. Additionally, the increasing number of doctoral and masters level requirements for the various healthcare professions is beginning to put a strain on the Defense Officer Personnel Management Act (DOPMA) promotion constraints for this Corps, an issue we will be monitoring. Currently our critical specialties to recruit and retain are optometry, pharmacy, clinical psychology, social work, entomology, and microbiology. When funded, we expect the new pharmacy and optometry special pays to help our retention in those two communities. Further we have begun using the Health Profession Loan Repayment Program for some specialties and are having success with it.

Hospital Corps

Within the Hospital Corps, we are currently under-manned, defined as being below 75 percent, in seven Navy Enlisted Classifications (NECs). In the operational forces, USMC reconnaissance corpsman are currently manned at 53.8 percent. In the MTFs, cardio-pulmonary technicians are staffed at 74.3 percent, occupational therapy technicians 63.2 percent, bio-medical repair technicians 66.3 percent, psychiatric technicians 72.4 percent, morticians 50 percent and respiratory technicians at 73.5 percent. In the Dental technician community, we are currently under .manned in the dental hygiene community at 63.1 percent.

An enlistment bonus for hospital corpsman and dental technicians would assist in competition with the civilian job market.

MEDICAL SPECIAL PAYS:

The primary mission of the Military Health System (MHS) is Force Health Protection. This readiness focus involves programs to ensure we maintain a healthy and fit force, providing medical care in combat. The MHS also has an important peace time mission of providing health services to active duty members and other beneficiaries. In order to provide these services, the MHS must retain health providers that are dedicated, competent and readiness trained. This challenge is particularly difficult because uniformed health professionals are costly to accession, train, and are in high demand in the private sector.

It's essential for the MHS to maintain the right professionals, the right skill mix and the right years of experience to fulfill our readiness requirements. Continued military service is not only based on pay, but also the conditions and nature of the work. Yet, adequate compensation must be provided. One of the major tools used to retain providers are special and incentive pay bonuses.

National Defense Authorization Act of Fiscal Year 03 (NDAA 03) set new upper limits for specific medical pays. Where as this act delineates the dollar limits at which pays may be paid; it leaves the administration of these pays to the Assistant Secretary of Health Affairs and the Services. The administrative policy for special pays is accomplished through a tri-service effort where specific manpower needs for each service and community pay is evaluated and applied to an annual tri-serve pay plan. It is this pay plan that determines at what pay levels will be paid for specific specialties at any given time. Currently there have been no decisions or budgetary inputs to provide for any increase in these pays for FY03 or FY04.

Workgroups both within each service and as a tri-service collective are examining the application of special pays to include increases utilizing the new upper pay caps. However, it is too early to comment on possible applications.

Uniformed Services University of the Health Sciences

As the Executive Agent of the Uniformed Services University of the Health Sciences (USUHS), I would like to comment on the extraordinary achievements of the University in 2002. USUHS granted 163 Medical Degrees for a current total of 3,268 uniformed physician graduates since the first USUHS graduation in 1980. USUHS graduates, with retention averaging twenty years of active duty service, now represent over 22 percent of the total physician officers on active duty in the Armed Forces. And, as provided to the Congress during 2002, the median length of non-obligated service for physician specialists in the Military Health System, not including USUHS graduates, is 2.9 years; however, the median length of non-obligated service for USUHS graduates is 9 years. Thus, USUHS graduates are exceeding the original expectations of Congress when the university was established, thus ensuring physician continuity and leadership for the military health care system. In addition, a total of 183 Masters of Science in Nursing Degrees have been granted since the establishment of the USUHS Graduate School of Nursing in 1993; and, 728 Doctoral and Masters Degrees have been granted through the USUHS School of Medicine Graduate Education Programs.

The military unique curricula and programs of the Uniformed Services University, successfully grounded in a multi-Service environment, draw upon lessons learned during past and present-day combat and casualty care to produce career-oriented physicians, advanced practice nurses, and scientists with military unique expertise. The USUHS-unique training centered in preventive medicine and combat-related health care is essential to providing superior force health protection and improving the quality of life for our service members, retirees, and families. USUHS also provides a significant national service through its continuing medical education courses for military physicians in combat casualty care, tropical medicine,

combat stress, disaster medicine, and the medical responses weapons of mass destruction (WMD).

Four USUHS activities, internationally recognized by the emergency responder and health care communities, stand by ready to provide cost-effective, quality-assured WMD-related training and consultation. The Casualty Care Research Center; the Center for Disaster and Humanitarian Assistance Medicine; the Center for the Study of Traumatic Stress; and, the Armed Forces Radiobiology Research Institute have established credibility in providing military unique expertise covering four areas of WMD-related concerns: 1) the preparation of emergency responder communities; 2) ensuring communication and assessment of military medical humanitarian assistance training; 3) addressing traumatic stress of both civilian and uniformed communities during WMD-related incidents; and, 4) the development of medical radiological countermeasures to include the provision of unique training for the response to radiological emergencies.

I am pleased to report that USUHS has begun collaborative efforts with the Department of Veterans Affairs on its WMD-related educational and training programs. As directed by H.R. 3253, The Department of Veterans Affairs Emergency Preparedness Act, Public Law 107-287, VA education and training programs on medical responses to terrorist activities, shall be modeled after programs established at USUHS. The cost-effective provision of quality-assured, web-based training and expertise for the medical response to WMD for the emergency and health care provider communities is ready to be transmitted from the USUHS Simulation Center located in Forest Glen, Maryland. I look forward to the further development of these collaborative efforts and the future contributions of USUHS.

Establishment of the Naval Medical Education and Training Command

The Naval Medical Education and Training Command (NMETC) was established under the command of a Flag Officer, as a result of BUMED realignment activities. NMETC is going to be a central source of learning that will act as a catalyst for web based education and training

initiates available to our staff on a world wide basis. The Command's mission also dovetails well with CNO's Task Force Excel (TFE) initiative, whose cornerstone is the stand up of primary organizations with responsibility for training, education, human performance/development, and alignment of resources and requirements. Current Navy Medicine training staff is conducting a gap analysis between NMETC key functions, and those functions envisioned in CNO's training commands, in collaboration with TFE staff.

Family Centered Care

Our health system must remain flexible as we incorporate new technologies and advances in medical practice, struggle to maintain our facilities, optimize our health care delivery, embrace new health benefits, enhance patient safety, and increase our ability to provide care to beneficiaries over age 65 in the coming months. Navy Medicine has been working tirelessly to maintain our superior health services in order to keep our service members healthy and fit and ready to deploy while providing a high quality health benefit to all our beneficiaries. As you know, healthcare is an especially important benefit to service members, retirees and family members. It is an important recruitment and retention tool. For active duty members and their families it's one of the key quality of life factors affecting both morale and retention. A deployed service member who is secure in the knowledge that his or her family's healthcare needs are being met is without question, more effective in carrying out the mission. Additionally, the benefits afforded to retirees are viewed by all as an indicator of the extent to which we honor our commitments.

I'm proud of the cultural transformation Navy medicine has undertaken in support of Family Centered Care . Our patients, our Navy leadership, and Navy medicine understand that if we want to evolve beyond being a reactive health care system—with periodic, episodic, reactive healthcare—we have to make our customers partners in their care. Our goal is to be a proactive health system with the achievement of unprecedented levels of population health, the

ultimate measure of our success. But we can't get there if patients aren't comfortable with their healthcare. We can't achieve higher states of health without individuals being actively involved in the process. Navy medicine has made a commitment to the cultural transformation. We are working every day towards being patient-centric.

We have placed particular emphasis on achieving customer satisfaction with our perinatal services. Delivering babies is a very important component of our force health protection. It is one of the richest opportunities we have to affect health behaviors, and for building strong families from the beginning. What better opportunity is there to interest our sailors and marines in their health than when they are creating a family? The Navy's Family Centered Care (FCC) program promotes practices that enhance patient safety, health, cost efficiency, and patient and staff satisfaction. Elements of the FCC program were derived directly from patient and staff responses to multiple survey instruments and convenience samples. During 2002, Navy Medicine demonstrated its commitment to patient-centered care by investing \$10.2M in the FCC program. MTFs were able to upgrade equipment and furniture and received enhanced maternal-infant safety and patient-centered care training. Our accomplishments include a Triservice effort to develop a uniform Health Affairs Family Centered Care program. We have collaborated with Army and Air Force Medical departments to develop coordinated plans since February 2002. We have also increased the availability of private post-partum rooms in Navy MTFs by 52 % from 2001, while simultaneously increasing provider continuity for prenatal visits to at least 75 % in those MTFs not affected by the current OPTEMPO. We have deployed the DOD developed Interactive Customer Evaluation (ICE) system to monitor patient satisfaction with the FCC program and have established partnerships between the BUMED Perinatal Advisory Board, Health Services Organizations, and the BUMED Inspector General to assist in implementing and monitoring of the FCC program.

We have standardized and enhanced prenatal education in all MTFs through the purchase of the USAF developed Spring Garden interactive education material and have

contracted with a nationally recognized expert on Single Room Maternity Care to provide consultative services at MTFs undergoing the construction of Labor, Delivery, Recovery and Postpartum units. We are ensuring that MTFs review and revise policies to include family members at prenatal visits and at the delivery and are currently implementing the DOD/VA Clinical Practice Guideline for Uncomplicated Pregnancy in Navy MTFs.

Finally, we have funded, filmed, and distributed marketing video spots, introducing patients to the Navy's Family Centered Care program.

Optimization

Readiness, must be supported by integration and optimization forming what I refer to as the "ROI concept" – Readiness, integration and optimization. ROI is simply our effort to be good business people. Our optimization efforts have met with good success and led to more integration in our military health system. We work with our sister services very closely, both within the health care system, and operationally. We are all utterly dependent on one another for our mutual success. Nothing of any significance is done alone. Further, we have increased our integration and cooperation in other areas. A prime example is our continued efforts to build mutually advantageous health care and business relationships with the Department of Veterans Affairs.

There is no more important effort in military medicine today than implementing the MHS Optimization Plan to provide the most comprehensive health services to our Sailors, Marines and other beneficiaries. Optimization is based upon the pillar of readiness as our central mission and primary focus.

For several years now, we have attempted to shift our mindset from treating illnesses to managing the health of our patients. Fewer man-hours will be lost due to treatment of injury or illness because we manage the health of our service men and women, which keeps them fit and

ready for duty. With this in mind, TRICARE Management Activity and the three services created an aggressive plan to support development of a high performance comprehensive and integrated health services delivery system. We took lessons learned from the best practices of both military and civilian health plans. The outcome was the MHS Optimization Plan. Full implementation of this plan will result in a higher quality, more cost effective health service delivery system.

The MHS Optimization Plan is based on three tenets. First, we must make effective use of readiness-required personnel and equipment to support the peacetime health care delivery mission. Second, we must equitably align our resources to provide as much health service delivery as possible in the most cost-effective manner – within our MTFs. And third, we must use the best, evidence-based clinical practices and a population health approach to ensure consistently superior quality of services.

During the last year, we accomplished a lot, both locally and at an enterprise level by focusing on concept education, primary care management techniques, clinic productivity standards, administrative health plan management and best practice integration.

Accomplishments include:

- Clinical Advisory Boards
- Clinical Practice Guidelines
- Primary Care Manager By Name implementation
- Patient Safety Initiative
- Population Health Improvement Plan and Tools
- Population Health Navigator
- Primary Care Optimization Model
- Optimization Report Card
- TRICARE On-line
- Clinic Business Reengineering
- Provider Support Staff and Exam Rooms
- Clinic Management Course
- Access monitoring
- Appointment Standardization
- Data Quality Initiatives
- Transition to New DEERS
- Medical Record Control
- Pharmacy Profiling
- Fleet Liaison Instruction
- Policy Statement to Reward Clinical

Excellence

Our Optimization funding has allowed us to pursue investment opportunities designed to achieve an "Order of Magnitude Change" within Navy Medicine Treatment Facilities. Over 140 field proposals underwent a rigorous review; those demonstrating the most significant Return on Investment (ROI) are being implemented:

- Musculoskeletal initiatives at 4 sites
- Mental Health initiative at 1 site
- Primary Care initiatives at 4 sites
- Pharmacy initiatives at 4 sites
- E-Health / TRICARE On-Line
- Webification of Navy Medicine
- Population Health Navigator/ Primary Care Optimization Model
- Clinic Manager Course
- Radiology Residency – NMC Portsmouth
- Birth Product Line Expansion at 2 sites
- Virtual Colonoscopy
- Carido-thoracic Surgery at NMC Portsmouth
- Sleep Lab Expansion at 3 Sites
- Nurse Triage/ Nurse Advise Line at 2 sites
- Chile Health Center – NMC San Diego
- Case Management Project

The Optimization Fund projects are at various points in the approval, funding and implementation process. Implementation plans and outcome metrics will be monitored closely.

Although many commands report numerous efforts to optimize or improve their facility, I am concerned that frequently these efforts are not tied to specific goals or objectives. This is where performance measurement comes in. Performance measurement provides focus and direction, ensures strategic alignment and serves as a progress report.

In the Navy, we are making available comparative performance data on all facilities - so MTF commanders can see where they stand and learn from each others' successes. Ultimately, it allows us to raise the bar for the whole organization.

We have already made adjustments to our measures and have found that many of the measures have data that only changes once a year. This may be fine to measure how well we are doing in moving towards some of our strategic goals, but they are not adequate by themselves to manage the complexity of the Navy Medical department. This year we've added more "levels" to our metrics. One is a group of Annual Plan measures. After reviewing our strategic plan in light of the current environment, understanding the strengths, weaknesses, opportunities, and threats to our organization, we identified several priorities for the year. We then identified measures to track progress on these items - and this data has to be measurable at least quarterly. Finally, we have added more measures for our "Dashboard of Leading Indicators" that our leadership will be looking at on a monthly basis. Once we look at the historical data for these dashboard indicators, we will be setting not only targets for where we want to be but also action triggers in case we are going the wrong direction in some area. We will agree on a level below which, we will no longer just watch and see if it improves, but we will take action to change the processes. We in the Navy have web based our Optimization Report Card and the satisfaction survey data is provided to MTF commanders in a more user friendly display on a quarterly basis. As we continue to improve our performance measurements, we will begin to identify targets for our system and for each MTF. Holding MTF CO's accountable for meeting those targets will be the next step in this evolution.

Navy Medicine/DVA Resource Sharing

As I mentioned, VA resource sharing is part of optimization program. Collaboration between the Veterans Affairs and Navy Medicine is an important way to enhance service to our beneficiaries and veterans. Navy Medicine is an active participant in the DoD/VA Executive

Council working to establish a high-level program of DoD/VA cooperation and coordination in a joint effort to reduce cost and improve health care for veterans, active duty military personnel, retirees and family members. The Executive Council is made up of senior DoD and VA healthcare executives and has established seven workgroups to focus on specific policy areas. Navy Medicine participates on three of the workgroups (Benefit Coordination, Financial Management and Joint Facility Utilization/Resource Sharing). The Presidential Task Force to Improve Health Care Delivery to our Nation's Veteran's" meets monthly and representatives from BUMED attend every meeting as well as members from the VA and other Services. To date, BUMED currently manages 254 sharing agreements with the VA and provides resource sharing with the VA on over 3,000 individual healthcare line items. We have also established a new BUMED/VA web site, which will provide our commands an overview of joint sharing ventures and updates on local command initiatives. Its essential that our Commanding Officers pursue VA sharing initiatives in their daily business activities. Specific Navy/VA Joint Ventures and other MTF agreements initiatives include:

- NH Great Lakes and the North Chicago VAMC have reached agreement on a forming a joint North Chicago Ambulatory Healthcare system which will support the mission at Naval Training Center (NTC), Great Lakes with modern and efficient healthcare services The NMC Key West, Florida and VA Medical Center, Miami, Florida are sharing a new joint medical clinic that is staffed by VA and Navy providers.
- NH Corpus Christi and the VA have also signed an agreement to share surgical services and various ambulatory care services.
- In Guam, the VA Outpatient Clinic is collocated at USNH GUAM; Navy is considered the primary inpatient facility for veterans.
- NH Pensacola has several VA/DoD agreements in place and are working to establish additional agreements: Current agreements include: Emergency Room Services, Inpatient services, OB services and Orthopedic services, Lab and Radiology Services, Active Duty

physicals and Mental Health Services. Options are also under review for new shared ambulatory healthcare settings.

- NMC San Diego and NH Cherry Point are working with the VA to establish a Joint Community Based Outpatient Clinic (CBOC).
- NH Lemoore is negotiating a new sharing agreement with the VA in Fresno, California to replace a recently expired agreement.
- Agreements under development include: Corry Station- a combined DoD/VA Outpatient Clinic. A project workbook has been started and discussions continue. A site location has not been determined at this time.

The Consolidated the Mail Outpatient Pharmacy (CMOP) Pilot Program is also providing promising results. The purpose of the CMOP pilot is to evaluate the impact and feasibility of shifting some of the DoD prescription refill workload from MTF pharmacies to VA CMOPs while maintaining quality service to DoD beneficiaries. VA and DoD have made important progress in their efforts to conduct a DoD / VA CMOP pilot for evaluating the merits of using CMOPs MHS wide. Timelines and metrics have been established, pilot sites have been selected, and the interfaces are developed and are being tested. A Navy pilot site is at the Naval Medical Center San Diego.

E-Health Technology

The internet has dramatically changed the way we live and do our business in ways totally unforeseen even as recently as ten years ago. This is especially true in Medicine where the internet offers the opportunity to extend healthcare access, services, and education to improve the care we provide our patients. Online services and information offer patients the ability to take control of their healthcare and partner with their healthcare provider to stay healthy.

In Navy Medicine, we have recognized the enormous potential of the internet, both in healthcare services and in accomplishing our mission. We want to move from reactive interventional healthcare, waiting for people to get sick before we intervene, to more proactive Force Health Protection where we identify the most common causes of illness and injury in our patients and then aggressively act to prevent those things through good preventive services and education. We realize we cannot achieve this vision if our patients have to come to the hospital for those services. As a result, we look to the internet to help us extend healthcare services, access, and education outside the hospital in a convenient, easily accessed manner.

We also realize that the internet can help us extend healthcare services to remote areas where specialty care has historically required medically evacuating patients. Finally, we also realize that the internet can be a valuable tool to help us support our operational commanders while concurrently improving our internal efficiency and effectiveness.

These four goals, (1) extending healthcare services outside our hospital to help move us to proactive Force Health Protection, (2) extend healthcare services to the patient, regardless of location, (3) improve support to operational commanders, and (4) improve our internal efficiency and effectiveness comprise the four main goals of Navy Medicine's e-health initiatives.

There are three initiatives I would like to highlight to demonstrate our progress in this area:

1. TRICARE OnLine: This is the MHS new healthcare portal. A revolutionary concept, it allows our patients to go online, create an account, and access customizable personalized healthcare information for their specific needs. They can also create an online healthcare journal for their healthcare providers to use and to help them track their health. There are no comparable services in the civilian sector and it represents the very hard work of a dedicated staff who took this from concept to widespread deployment in less than two years. Navy Medicine is partnering with TRICARE OnLine to share applications, jointly develop new applications, and ensure interoperability for new innovations in the future.

2. **RADWORKS:** Radiology is increasingly important in the rapid diagnosis and treatment of patients. Rapid access to radiology expertise is critical to getting the best and quickest care for our patients. Since we cannot have radiologists everywhere, we are leveraging digital radiography over the web to provide this service. We recently completed installation of this technology onboard USNS COMFORT for use in supporting optimal care and disposition of any casualties. Our patients will have immediate access to the best radiologic support quickly regardless of their location anywhere in the world.
3. **Smallpox Tracking System:** With the threat of smallpox, it is critical for us to both immunize the force and provide our commanders with as near a real time view of their immunization status as possible. Previous reporting used to be paper-based, were very labor-intensive, and were almost always out of date when received. We did smallpox immunization tracking differently. Within two weeks of program start, a dedicated Navy Medicine web team developed and implemented a real time web-based tracking system that allowed us to provide, on a daily basis, real time immunization reports to line commanders for their use. This was subsequently upgraded to a more robust system in use today. Navy Medicine responded quickly and effectively to the needs of our commanders and the support we needed to give to keep our Sailors and Marines healthy and ready to go.

The bottom line is that Navy Medicine is at the vanguard of leveraging the net and emerging web-based technologies to improve our healthcare services, better support our operational commanders, and ensure our Sailors, Marines, family members, and retirees receive the very best care possible anywhere, at any time.

Medical Research

Navy Medicine also has a proud history of incredible medical research successes from our CONUS and OCONUS laboratories. Our research achievements have been published in professional journals, received patents and have been sought out by industry as partnering opportunities.

The quality and dedication of the Navy's biomedical R&D community was exemplified this year as Navy researchers were selected to receive prestigious awards for their work. CAPT Daniel Carucci, MC, USN received the American Medical Association's Award for Excellence in Medical Research for his work on cutting edge DNA vaccines. His work could lead to the development of other DNA-based vaccines to battle a host of infectious diseases such as dengue, tuberculosis, and biological warfare threats. Considering the threat of Biological terrorism, DNA vaccine-based technologies have been at the forefront of "agile" and non-traditional vaccine development efforts and have been termed "revolutionary". Instead of delivering the foreign material, DNA vaccines deliver the genetic code for that material directly to host cells. The host cells then take up the DNA and using host cellular machinery produce the foreign material. The host immune system then produces an immune response directed against that foreign material.

In the last year, Navy human clinical trials involving well over 300 volunteers have demonstrated that DNA vaccines are safe, well-tolerated and are capable of generating humoral and cellular immune responses. DNA vaccines have been shown to protect rodents, rabbits, chickens, cattle and monkeys against a variety of pathogens including viruses, bacteria, parasites and toxins (tetanus toxin). Moreover recent studies have demonstrated that the potential of DNA vaccines can be further enhanced by improved vaccine formulations and delivery strategies such as non-DNA boosts (recombinant viruses, replicons, or, importantly, exposure to the targeted pathogen itself).

A multi-agency Agile Vaccine Task Force (AVTF) comprised of government (DoD, FDA, NIH), academic and industry representatives is being established to expedite research of the Navy Agile Vaccine.

As other examples of scientific achievement, Navy Medicine is developing new strategies for the treatment radiation illness. Navy Adult Stem Cell Research is making great strides in addressing the medical needs of patients with radiation illness. The terrorist attacks of 2001 identified the threat of weapons of mass destruction, exposing large numbers of people to ionizing radiation. Radiation exposure results in immune system suppression and bone marrow loss. Currently, a bone marrow transplant is the only life saving procedure available. Unfortunately, harvesting bone marrow is an expensive and limited process, requiring an available pool of donors.

In the past year, NMRC researchers have developed and published a reproducible method to generate bone marrow stem cells in vitro after exposure to high dose radiation, such that these stem cells could be transplanted back into the individual, thereby providing life-saving bone marrow and immune system recovery. This is the type of technology that will be needed to save the lives of a large number of victims.

In this same line of research, Navy Medicine is developing new strategies for the treatment of combat injuries. We are developing new therapies to "educate" the immune system to accept a transplanted organ -- even mismatched organs. This field of research has demonstrated that new immune therapies can be applied to "programming stem cells" and growing bone marrow stem cells in the laboratory. The therapies under development have obvious multiple use potential for combat casualties and for cancer and genetic disease.

Other achievements during this last year include further development of hand-held assays to identify biological warfare agents. During the anthrax attacks, the US Navy analyzed over 15,000 samples for the presence of biological warfare (BW) agents. These hand-held detection devices were used in late 2001 to clear Senate, House and Supreme Court Office

Buildings during the anthrax attacks and contributed significantly to maintaining the functions of our government. Some of the most important tools that are used to analyze samples for the presence of BW agents in the field are hand-held assays. The hand-held assays that are used by the DOD were all developed at Naval Medical Research Center (NMRC). Currently NMRC produces hand-held assays for the detection of 20 different BW agents. These hand-held assays are supplied to the US Secret Service, FBI, Navy Environmental Preventive Medicine Units, US Marine Corp, as well as various classified clients. Since September 2001, NMRC has produced over 120,000 assays and has fielded approximately 23,000 assays. In addition to the in-house production, NMRC has also provided emergency production capacity of antibodies needed for DOD fielded bio-detection systems, including the hand-held assays produced by JPO/BD for DOD use. The hand-held Assays have recently been upgraded with Platinum detection systems which will be 10 to 100 times more sensitive than the current systems, depending on what agent is being identified.

The Navy's OCONUS research laboratories are studying diseases at the very forefront of where our troops could be deployed during future contingencies. These laboratories are staffed with researchers who are developing new diagnostic tests, evaluating prevention and treatment strategies, and monitoring disease threats. One of the many successes from our three overseas labs is the use of new technology, which includes a Medical Data Surveillance System (MDSS).

The goal of the MDSS is to provide enhanced medical threat detection through advanced analysis of routinely collected outpatient data in deployed situations. Originally designed to enable efficient reporting of DNBI statistics and rapid response of preventative medicine personnel, MDSS may also enable supply utilization tracking and serve as a method of detecting the presence of chemical and biological agents. MDSS is part of the Joint Medical Operations-Telemedicine Advanced Concept Technology Demonstration (JMOT-ACTD) program. Interfacing with the shipboard SAMS database system, MDSS employs signal

detection and reconstruction methods to provide early detection of changes, trends, shifts, outliers, and bursts in syndrome and disease groups (via ICD-9 parsing) thereby signaling an event and allowing for early medical/tactical intervention. MDSS also interfaces with CHCS and is operational at the 121st Evacuation Hospital in South Korea, and is being deployed at the hospital and clinics at Camp Pendleton. Currently, MDSS may have an opportunity to collaborate with other industry and service-related efforts for the purpose of developing homeland defense-capable systems. Homeland defense initiatives are currently being coordinated through the Defense Threat Reduction Agency.

Conclusion

Navy Medicine has covered a lot of ground over the last year and we face the future with great enthusiasm and hope. The business initiatives, along with new technical advances join to make our Navy Medical Department a progressive organization. I thank you for your continued support and in making the military health care benefit the envy of other medical plans. You have provided our service members, retirees and family members a health benefit that they can be proud of.

I think we have been extraordinarily successful over the years, and we have opportunities for continued success, both in the business of providing healthcare, and the mission to supporting deployed forces and protecting our citizens throughout the United States.

We are one team, with one fight, and we are now in the middle of that fight. I am certain that we will prevail

DEPARTMENT OF THE AIR FORCE

Presentation to the Committee on Armed Services

Subcommittee on Total Force

United States House of Representatives

SUBJECT: FY 2003 DOD Medical Programs

**STATEMENT OF: Lieutenant General (Dr.) George Peach Taylor Jr.
Air Force Surgeon General**

27 MAR 2003

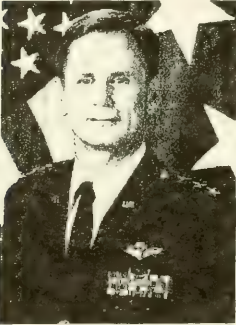
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UNITED STATES HOUSE OF REPRESENTATIVES**



BIOGRAPHY

UNITED STATES AIR FORCE

LIEUTENANT GENERAL (DR.) GEORGE PEACH TAYLOR JR.



Lt. Gen. (Dr.) George Peach Taylor Jr. is the Surgeon General of the Air Force, Headquarters U.S. Air Force, Bolling Air Force Base, Washington, D.C. General Taylor serves as functional manager of the U.S. Air Force Medical Service. In this capacity, he advises the Secretary of the Air Force and Air Force Chief of Staff, as well as the Assistant Secretary of Defense for Health Affairs on matters pertaining to the medical aspects of the air expeditionary force and the health of Air Force people. General Taylor has authority to commit resources worldwide for the Air Force Medical Service, to make decisions affecting the delivery of medical services, and to develop plans, programs and procedures to support worldwide medical service missions. He exercises direction, guidance and technical management of more than 42,400 people assigned to 78 medical facilities worldwide.

General Taylor was born in Birmingham, Ala., and graduated from Rice University with degrees in physics and Russian language. He was commissioned a second lieutenant in the Air Force Reserve through the Health Professions Scholarship Program. Following his graduation from Baylor College of Medicine in Houston, Texas, and subsequent internship in Greenville, S.C., General Taylor entered active duty in 1979 as a flight surgeon assigned to an F-15 squadron at Kadena Air Base, Japan. Subsequent assignments included flight test, depot and hospital command.

General Taylor is board certified in aerospace medicine by the American Board of Preventive Medicine. He was the Command Surgeon with U.S. Air Forces in Europe at Ramstein Air Base, Germany, where he served as the TRICARE Regional Director for Europe for one year. In addition, he was the Air Force Surgeon's Forward Surgeon during operations Allied Force and Shining Hope. He served as the Command Surgeon for Air Combat Command where he molded the Air Force medical response to Sept. 11, Operation Noble Eagle, and Operation Enduring Freedom. Prior to assuming his current position, General Taylor was the Assistant Surgeon General for Expeditionary Operations, Science and Technology, Office of the Surgeon General. As a Chief Flight Surgeon, General Taylor has more than 1,600 hours flight hours in a variety of aircraft. He has substantial experience in fighter and flight test operations, and has served as a military consultant to the Air Force Surgeon General for Aerospace Medicine.

EDUCATION:

1975 Bachelor of arts in physics and Russian language, Rice University, Houston, Texas
 1978 Doctor of medicine, Baylor College of Medicine, Houston, Texas
 1984 Master's degree in public health, Harvard School of Public Health, Boston, Mass.

1985 Residency in aerospace medicine, U.S. Air Force School of Aerospace Medicine, Brooks AFB, Texas

1993 National War College, Fort Lesley J. McNair, Washington, D.C.

ASSIGNMENTS:

1. October 1979 - March 1981, Chief of Flight Medicine, U.S. Air Force Clinic, and Squadron Flight Surgeon, 67th Tactical Fighter Squadron, Kadena AB, Japan
2. April 1981 - August 1983, Chief of Aerospace Medicine, Detachment 3, Air Force Flight Test Center, Henderson, Nev.
3. September 1983 - June 1984, student, Harvard School of Public Health, Boston, Mass.
4. July 1984 - June 1985, resident, U.S. Air Force School of Aerospace Medicine, Brooks AFB, Texas
5. July 1985 - June 1988, Chief of Aerospace Medicine and Commander of the Air Transportable Hospital, U.S. Air Force Hospital, Torrejon AB, Spain
6. July 1988 - June 1990, medical inspector of active-duty forces, Air Force Inspection and Safety Center, Norton AFB, Calif.
7. June 1990 - July 1992, Chief of Aerospace Medicine, U.S. Air Force Hospital, Air Force Flight Test Center, Edwards AFB, Calif.
8. August 1992 - June 1993, student, National War College, Fort Lesley J. McNair, Washington, D.C.
9. July 1993 - April 1995, Commander and Director of Base Medical Services, 75th Medical Group, Ogden Air Logistics Center, Hill AFB, Utah
10. May 1995 - June 1996, Chief, Aerospace Medicine Division, later, Deputy Director, Air Force Medical Operations Agency, Bolling AFB, Washington, D.C.
11. June 1996 - June 1997, Associate Director, later, Director of Medical Programs and Resources, Office of the Surgeon General, Bolling AFB, Washington, D.C.
12. June 1997 - July 2000, Command Surgeon, U.S. Air Forces in Europe, Ramstein AB, Germany
13. July 2000 - January 2002, Command Surgeon, Headquarters Air Combat Command, Langley AFB, Va.
14. January 2002 - June 2002, Assistant Surgeon General for Expeditionary Operations, Science and Technology, Office of the Surgeon General, Bolling AFB, Washington, D.C.
15. July 2002 - September 2002, Special Assistant to the Surgeon General of the Air Force, Office of the Surgeon General, Bolling AFB, Washington, D.C.
16. October 2002 - present, Surgeon General of the Air Force, Headquarters U.S. Air Force, Bolling AFB, Washington, D.C.

FLIGHT INFORMATION:

Rating: Chief flight surgeon

Flight hours: More than 1,600

Aircraft: F-15D, F-16B/D, C-5, C-12, C-21, C-130, C-141, KC-135, T-37, T-38 and T-39

MAJOR AWARDS AND DECORATIONS:

Legion of Merit with oak leaf cluster

Bronze Star Medal

Meritorious Service Medal with four oak leaf clusters

Air Force Commendation Medal

Air Force Achievement Medal

Air Force Recognition Ribbon

OTHER ACHIEVEMENTS:

Malcolm C. Grow Award for Air Force's Flight Surgeon of the Year
Fellow, American College of Preventive Medicine
Medical license: Texas
Fellow and council member, Aerospace Medical Association
Former President, American Society of Aerospace Medicine Specialists
Former President, Society of U.S. Air Force Flight Surgeons
American Medical Association
Association of Military Surgeons of the United States

EFFECTIVE DATES OF PROMOTION:

Captain Jul 2, 1979
Major Jun 5, 1984
Lieutenant Colonel Sep 30, 1989
Colonel May 31, 1994
Brigadier General Apr 1, 2000
Major General Jul 1, 2002
Lieutenant General Dec 1, 2002

(Current as of December 2002)



Mr. Chairman and members of the committee, thank you for the opportunity to discuss with you some of the challenges and successes of the Air Force Medical Service, or the AFMS.

As with all other aspects of the military, the AFMS is transforming itself.

Transformation is a word that is being regularly used around Washington these days. To the Air Force, transformation is not just new technology, such as uninhabited combat aerial vehicles or space-based radars. Transformation is merging new technologies with new concepts of operations and new organizational structures.

Think about the Air Force combat controllers on the ground in Afghanistan directing B-52s to drop directed-munitions within 500 meters from their positions. This was accomplished by using global positioning satellites, laser range-finding devices, and new state-of-the-art munitions to provide a new kind of effect: enhanced close-air support, which proved to be pivotal in the fight with the Taliban. This success serves as an example of one of many progressive steps the Air Force is taking in its march toward Transformation.

The Air Force Medical Service is no stranger to transformational changes. In many ways we lead the Air Force and like to say “that we were transforming before transformation was cool.” Our modular, lightweight medical and preventive medicine teams, same-day laparoscopic surgery, advanced imaging — among many other components—have changed the face of military medicine, from home base to battlefield.

Our five Air Force Medical Service core competencies provide compelling lenses through which we view the transformational activities.

I would like to briefly describe each core competency and share some of the exciting accomplishments we have achieved under each.

Our first Air Force Medical Service's core competency is **population-based health care**. As the name indicates, population-based health care strives to keep our entire beneficiary population healthy by preventing disease and injury. But, if any do become sick or injured, our system will provide exceptional care.

Our next core competency is **human performance enhancement and sustainment**. These include methods and equipment that protect our forces from harm and permit our troops to perform their missions better.

Fixed wing aeromedical evacuation, our third core competency, addresses the innovative and life-saving ways we use aircraft to transport patients from the theater of operations to the nearest capable medical treatment facility.

Our fourth core competency, **medical care in contingencies**, entails all the training, equipment, and logistics needed to provide care during humanitarian or combat operations.

World health interface, our final core competency, recognizes the importance of interaction with other nations. Air Force medics are called to serve from Atlanta to Afghanistan, and from San Antonio to Sierra Leone. Therefore, we have institutionalized training programs that teach medics the language and customs of those countries in which they might be called to serve.

These five core competencies are the heart and soul of the Air Force Medical Service. I would like to describe each in a bit more detail to better demonstrate to you the innovative ways in which the Air Force Medical Service is transforming itself.

Population-Based Health Care

The U.S. military health care system cares for 8.3 million people and costs \$26 billion. This huge system is in every state and in numerous countries. Yet, as immense as this system is, I adhere to the philosophy that all health care is local.

What matters most in medicine and dentistry is the care our patients receive from their provider. It is my mission -- my passion -- to ensure that every provider has the leadership, training, people, facility space, and medical equipment he or she requires to give those patients the care they need, the care they deserve. Our first core competency, population-based health care, is critical to ensuring this becomes a reality.

We have transitioned from the old medical paradigm--treating sick people--to the new paradigm of preventing people from getting sick in the first place. The old way makes for better TV drama, but the new way makes for better medicine. This new paradigm is called population-based health care. The programs I will discuss support population-based health, especially how it applies to our active duty forces.

Because of the global war on terrorism, there has never been greater imperative to have a military force that is fully ready to "fly the mission." Our comprehensive Individual Medical Readiness program, ensures our military members are "medically ready" to perform.

To help illustrate the Individual Medical Readiness program, I ask you to think of an aircraft—a new F/A-22 fighter, for instance. From the moment each aircraft enters our arsenal, it undergoes continuous monitoring, routine inspections, preventive maintenance, and if needed, repairs. These activities happen before, during, and after this weapon system is employed.

A far more valuable resource—our airmen, the “human weapons system”—receive that same level, if not more, of devoted care. Through our Individual Medical Readiness program, we constantly monitor the health of our airmen through inspections and preventative maintenance—called Preventive Health Assessments—and, if needed, repairs.

The Individual Medical Readiness program has four main components, the first of which is the Preventive Health Assessment. At least once a year, we review the total health care needs and medical readiness status for every airman. During this appointment we make sure they have received all recommended and required preventive care, screenings, immunizations, and assessments. Preventive Health Assessments are the equivalent of the routine inspections and preventive maintenance provided to aircraft.

Second, at each visit, whether in garrison or deployed, we take care of our troop's complaints, look for other preventive interventions, and ensure their fitness for duty.

Third, we perform medical evaluations before and after troops deploy so that we can monitor the effect—if any—the deployments have on their health.

Finally, we have created innovative new information systems designed to track all individual medical readiness and preventive health care requirements. It is called the Preventive Health Assessment Individual Medical Readiness program (PIMR).

At the local level, PIMR can tell the medics which troops need blood tests, evaluations, or vaccines, who is healthy enough to be sent to the field, and who should remain behind until they are healthy. At the global level, PIMR provides leaders near real-time statistics that tell them what percent of their troops are medically fit to deploy. PIMR's metrics are also used to provide feedback and shape policies and programs so we can continually improve the readiness of our force.

Population-Based Health Care is more than just the method to keep the active duty members healthy. It benefits all beneficiaries---active duty, their families, retirees and their families, and is our overarching model for healthcare. Our AFMS must accomplish three critical processes to ensure full-fledged Population-Based Health Care.

First, care team optimization. An optimized primary care team, for example, has as its members a provider, nurse, two medical technicians, and one administrative technician. The team is provided the optimal number of exam rooms, medical equipment, and support staff needed to ensure that such things as facility constraints and administrative responsibilities do not hinder their ability to provide care to our airmen and their families. In such teams, our medical staff flourish.

Where we have optimized our primary care clinics, we have enjoyed success. Based upon this success, the AFMS has embarked upon expanding this strategy. Soon, every clinical and non-clinical product line will undergo an expeditionary capability analysis, clinical currency analysis, and business case analysis to determine how best to optimize the use of our resources.

In short, we have seen that optimization has great potential in the primary care setting, so now we hope to spread that success by optimizing specialty care. This year we will launch pilot programs for the optimization of orthopedics, general surgery, otolaryngology, OB/GYN, and ophthalmology.

The result of optimization is clear: Our people are receiving outstanding healthcare delivered by highly trained teams.

A second critical process of Population-Based Health is "PCM by name." PCM stands for "primary care manager." A PCM is a provider who takes active oversight in every

aspect of a patient's care. Beneficiaries are assigned a "PCM by name," meaning they will routinely see that same provider. Previously, beneficiaries would arrive at the clinic and frequently did not know who their provider would be that day. Now, through PCM by name, they are assigned to a PCM who will see the patient for all routine medical care. The PCM becomes much like a trusted, small-town family doctor who becomes intimately involved in the care of the patient and his or her family. We have over 1.2 million customers enrolled to our 74 medical locations—and 100% of those beneficiaries are enrolled to a PCM by name.

The tandem success of the Optimization and Primary Care Manager by Name efforts are serving our TRICARE beneficiaries well. The Health Employee Data Information Set Standards—or HEDIS—are the civilian national standards by which most Managed Care Organizations are measured. Here is how HEDIS ranks some of our efforts compared to civilian commercial health care plans:

- For providing timely cervical cancer screenings, the Air Force is in the top 10 percent of all health care plans in the United States.
- For breast cancer screenings the Air Force surpasses 66 percent of commercial plans.
- Our diabetic care program is in the top 9 percent of all similar plans nationwide.

And, recently, the Air Force Medical Service was recognized by civilian experts at the Kilo Foundation as one of two U.S. health care organizations on the cutting edge of optimizing health care delivery—the other organization being Kaiser-Permanente.

We optimized our care teams to deliver the best care, now we must also optimize the buildings in which our patients receive that care. Facility recapitalization is the third critical process that must be accomplished to support population-based health.

Whether we are talking about the human body, aircraft, or buildings, the more each ages, the more they wear out, break down, creak and leak. They become more expensive to maintain. For that reason, the Defense Health Program currently supports the goal of medical facility recapitalization at a 50-year rate rather than the 67-year rate provided to other, non-health-care facilities. We use the funds we are provided annually to pay for necessary renovations, modernization, and replacement needs.

Before I discuss our remaining AFMS core competencies, I will mention a few population-based health care items I find worthy of mention, one of which is our success in suicide prevention. Suicide is the most preventable cause of death, yet is the 11th leading cause of death in the United States. Among people of military age, it is the fourth leading cause of death behind accidents, cancer, and heart attacks. Fortunately, suicide among our Air Force members and their families is nearly the lowest it has been in 20 years.

We teach our leadership, airmen, and family members how to recognize, assist, and intervene when they identify members who might be contemplating suicide. Our efforts are succeeding. Throughout the mid 1990s, there were over 14 Air Force suicides for every 100,000 members. That number is now just 8.3 for every 100,000. We are striving hard—very hard—to lower it yet more. We recognize that we can never completely eradicate suicide, but every life saved is crucial to the Air Force. And the quality of life for all those who seek and receive care is immeasurably enhanced.

Another important quality of life initiative is our focus on enhancing obstetrical care in our military treatment facilities for our patients. We are working very hard across the Air Force, and indeed DoD, to optimize our OB programs. We are increasing routine prenatal

ultrasound capability, improving continuity of care with patients and OB providers, and enhancing OB facilities to provide more comfortable labor and delivery rooms.

Preliminary findings from the specialty care optimization pilot at Nellis AFB, show increases in access to care, in patient-provider continuity, and an increase in mothers desiring to deliver their babies at Nellis. In the last year alone nearly 11,000 mothers-to-be visited our OB clinics for a total of 193,000 visits. Carrying through on these optimization efforts, we feel confident that when it is time for our OB patients to choose their provider, they will choose their local military treatment facility. They will choose us.

Our optimization efforts throughout the Air Force Medical Service are complemented by partnerships with Department of Veterans Affairs clinics and hospitals. The DoD has seven joint venture programs with the VA; the Air Force oversees four of them at Travis, Elmendorf, Kirtland, and Nellis Air Force Base Hospitals.

One of our most successful joint ventures is our first—Nellis Air Force Base's VA/DoD hospital. This joint venture replaced the outdated Nellis hospital and offered VA beneficiaries a local federal inpatient facility for the first time in the area's history. The facility enjoys a fully integrated Intensive Care Unit, operating suite, emergency room, post anesthesia care unit, and shared ancillary services.

Kirtland's joint venture is also impressive. There, the joint venture has gone beyond the sharing of staff and facilities. At Kirtland, the Air Force and VA have created Joint Decontamination and Weapons of Mass Destruction Response Teams. Their teamwork will permit a homeland defense capability that is superior to either organization could provide separately.

Our four joint venture opportunities saved \$2.5 million and avoided over \$16 million in the just the last two fiscal years. Not all DoD hospitals are candidates for joint ventures, but we are excited about finding those that are and investing in the opportunity.

Partnerships with the VA where they make good sense not only save money; they enhance care to both of our beneficiary populations. The new contracts promise enhanced pharmacy support and health care to beneficiaries.

An additional enhancement to the DoD's health care benefit is that of Tricare For Life - the extension of Tricare benefits to our retirees. This program has dramatically improved the quality of life for our Medicare-eligible retirees and their families. In the first year, Tricare for Life produced 30 million claims. The program also significantly improved access to pharmaceuticals to our retiree population. Retirees appreciate both the quality of care and the knowledge that the country they proudly served is now there to serve them.

I have described many activities the AFMS performs to ensure that the airmen we send into the field are healthy. But, once they are there, we must also work to ensure they stay that way -- that they are protected from injury, disease, and biological and chemical weapons. We must provide an operations environment that is safe. This leads me to our second core competency, Human Performance Enhancement and Sustainment.

Human Performance Enhancement and Sustainment

Airmen are our most valuable assets. Their readiness directly impacts the combat effectiveness of the United States Air Force. Therefore, it is not good enough to just have disease-free troops, they need to be working at their optimal performance level during strenuous military operations. To that end, the Air Force Medical Service has developed a

Deployment Health Surveillance program that ensures and protects the health of its members from the day they enter service and don their first uniform, during deployments, and throughout their entire career.

Deployment Health Surveillance is more than just the application of exams immediately before and after a deployment; it is a Life Cycle approach to health care that lasts as long as the member is in uniform and beyond. Some of the most recent developments in Deployment Health Surveillance are the most exciting. These include technologies that rapidly detect and identify the presence of weapons of mass destruction, technologies such as genomics, bio-informatics, and proteomic clinical tools.

Each of these state-of-the-art efforts promises speedy revolutionary diagnostics, enabling near real-time bio-surveillance. And, whereas, most bio-chemical detectors take hours or days to detect and warn us that agents have been released into the environment, the sensors we are now developing will have near real-time capability to warn us of an attack.

The AFMS was the first to transition polymerase chain reaction technologies into a fielded biological diagnostic detection system. This technology keeps watch over troops in the field and our homeland. It provides better protection for our entire nation while simultaneously revolutionizing daily medical practice.

Whether these detection units stand sentinel over military men and women overseas or guard major population centers here at home, their presence translates into markedly decreased mortality and morbidity. Additionally, because it can quickly detect and identify pathogens, it decreases wasted time and resources in laboratory and therapeutic interventions.

The AFMS is working to overcome another threat to our troops and citizenry—a threat more often associated with science fiction than with current events: directed energy

weapons—lasers. Directed energy devices are now commonplace. Hundreds of thousands of lasers are employed by many countries around the world . . . mostly for peace, many for war. Militaries, including our own, use lasers in weapons guidance systems to help them drop bombs with pinpoint accuracy.

In response to this threat from our enemies, we developed—and continue to improve upon—protective eyewear and helmet faceplates. These devices are designed to absorb and deflect harmful laser energy, thus protecting pilots from the damaging and perhaps permanent eye injuries these weapons inflict.

We are also investigating commercial off-the-shelf, portable medical equipment that can quickly scan retinas and automatically determine if a person's eye has suffered damage from lasers. The AFMS is teaming with other Air Force organizations to transition several protecting and surveillance technologies to allow our forces to enter, operate and safely prevail within the laser-dominated battle space.

Lasers are not the only threat to our forces. There is also the familiar threat of biological and chemical weaponry. Congressional members and their staff, journalists, post office workers, and average citizens fell victim to anthrax attacks in the fall of 2001. As sobering as these attacks were, we were fortunate they were committed with a biological weapon for which we had a ready defense—an antibiotic—and that the anthrax was delivered in small amounts.

Our nation and its medical community learned much from the incident; so did our enemies. They will know better how to strike us next time, and we must be prepared.

To detect and combat such a threat, the AFMS is developing detection, surveillance, and documentation systems to help us recognize and respond to future biological and

chemical warfare attacks. The Global Expeditionary Medical System—or GEMS—is one such system.

GEMS was first developed and deployed during Operation DESERT SHIELD/DESERT STORM as a means to monitor and help protect the health of deployed forces. During that initial deployment, it captured over 11,000 patient encounters in the field and relayed this valuable information to what is now the Brooks City Base in Texas for analysis.

GEMS is now a mature, fully functioning asset. It establishes a record of every medical encounter in the field. It then rapidly identifies clinical events such as a potential epidemic. Whether the outbreak is accidental such as food poisoning, or intentional such as the release of a weapon of mass destruction like Anthrax at an airbase, GEMS can quickly alert medics about the presence of the weapon and allows our medics to attack and defeat the biological or chemical agent before its effect can become catastrophic.

GEMS does not look like much . . . it is a ruggedized laptop computer with a few small attachments, but its toughness and small size make it ideal for troops in the field. GEMS will soon be incorporated into the Epidemic Outlook Surveillance system, or EOS. EOS is an initiative to network—to link together—all systems that detect and identify biological and chemical warfare agents. It also incorporates all data produced from provider-patient encounters. From this, medics and leadership can monitor the possible presence of weapons of mass destruction, determine their current and predicted impact on troops, and respond with precision to defeat their effect. This is all accomplished to protect not just a base, nor theater of operations; rather EOS will provide overarching, *worldwide* oversight of the health of our troops.

What is fascinating about this system is its speed. The current standard to detect and identify a biological or chemical agent—and contain the epidemic it could create—is five to nine days. Aboard ship, or in a military base, the resources needed to care for the infected and the high casualty rate would overwhelm the mission. Even if the agent were detected in the first three days, we expect that up to 30 percent of our troops would fall ill or worse.

When it comes to identifying chemical and biological weapons attacks, lost time means lost lives. We are fast now. We strive to be faster. Our goal is to recognize and combat a potential epidemic within the first three hours of its introduction into the population. We are working with the other services to create sensors with this capability. These technologies are just over the horizon, but we are developing man-portable sensors capable of detecting chemicals and pathogens almost instantly. When fully developed, these sensors will have the capability to read the genetic structure of a biological agent to tell us exactly what it is and what antibiotics would best defeat the attack.

Obviously, such programs have both military and civilian application, so we are working with many other military, federal, university, and civilian organizations to develop, deploy, and share this amazing technology.

The enemy is not the only threat our troops face. During extended operations, our airmen find themselves combating fatigue. Physical and mental exhaustion lead to judgment errors, errors that in combat can cost lives. With its "Global Reach, Power and Vigilance" mission, the Air Force continues to strain the physiologic limits of its aircrews. It must develop methods of protecting its troops from the dangers of fatigue, for fatigue is a killer in the battlefield.

We have been working hard with the Air Force Research Laboratory, Air Combat Command and our aircrews to develop advanced techniques to maximize performance and safety on long-duration missions. These techniques include planning missions around the body's natural sleep cycles—the circadian rhythm—diet manipulation, and pharmacological and environmental assistance.

Such activities greatly aid our force-protection measures in an ever-changing battle space. But, during operations, the AFMS' "bread and butter" is the level to which we can properly treat and move wounded battle participants.

This leads me to our third core competency: Fixed Wing Aeromedical Evacuation.

Fixed Wing Aeromedical Evacuation

We have invested many resources and much time into keeping troops healthy and enhancing their performance. But in the operational environment, people do become sick. They do get injured. For such cases we developed an aeromedical evacuation system that can move patients from the field to definitive care, often within hours of their acquiring the illness or injury.

The Aeromedical Evacuation System is a unique and critical part of our nation's mobility resources. The need to move critically injured, stabilized patients from forward areas to increasing levels of definitive care has driven significant changes in the fixed-wing environment.

In the past, Aeromedical missions were limited to certain airframes such as the C-141 cargo aircraft or our special C-9 Nightingale AE aircraft. However, aeromedical evacuation is a mission and not a particular aircraft platform; and it is a mission recognized as a core

competency within the larger airlift mission. As we retire our aging AE platforms and transition from dedicated to designated aircraft in the mainstream of airlift flow, we are developing new tools such as the Patient Support Pallet, or PSP.

The PSP is a collection of medical equipment compactly assembled so that it can easily fit into most any cargo or transport aircraft. When needed, it is brought aboard, unpacked, and within a short time is transformed into a small patient care area. This means that patients no longer have to wait hours or even days for an aeromedical evacuation flight. Just give our medics a PSP and an hour, and they will take the C-5 that just unloaded troops and tanks, and will convert a small corner of that plane into an air ambulance.

Our 41 PSPs strategically positioned around the globe permit any suitable airframe in the airlift flow to be used. This awesome capability minimizes delay of movement, maximizes available airlift, and most importantly, saves lives. We plan to buy more.

Insertion of critical care skills early in this process is provided in the form of specially trained Critical Care Air Transport Teams, or CCAT teams. These teams—comprised of a physician, nurse and cardiopulmonary technician—receive special training that enables them to augment our air evacuation crews and deliver intensive care support in the airborne environment. Our Active Duty medics have 42 CCAT teams, but our ARC forces are full partners in this new capability. The Air Force Reserve contributes 25 CCAT teams, and the Air National Guard 32 teams to our AE mission. Each is ready for rotation into the AEF along with their Active Duty counterparts.

Another valuable tool is the TRANSCOM Regulating and Command & Control Evacuation System, otherwise known as TRAC2ES. TRAC2ES is a DOD/Joint enterprise that allows us to plan which patients should fly out on what aircraft, what equipment is

needed to support each patient, and what hospital they should fly to; and it provides us in-transit visibility of all patients all the time. TRAC2ES provides command and control of global patient movement in peacetime, contingencies and war.

TRAC2ES is an overwhelming success. It has accomplished all of the goals specified in the re-engineering process and has produced benefits that no one anticipated. To date:

- There have been more than 1,700 patients/soldiers moved as a result of activities during OEF, and nearly 17,000 such moves worldwide last year.
- Every patient was directed to the appropriate treatment facility for the needed care.
- And an amazing 100 percent in-transit visibility has been maintained on all patients moved through the TRAC2ES system.

TRAC2ES is also de-linked to specific aircraft. This is critical to its success, especially during the activation of our Civil Reserve Air Fleet or CRAF. The CRAF is comprised of up to 78 commercial aircraft—both cargo and passenger—that are provided to the Department of Defense by civilian airline companies. We use them to transport material and people into the theater of operations. We could also use them to potentially evacuate sick or injured troops out of the theater. If so, TRAC2ES will still function, regardless of the service, regardless of the aircraft.

Patient movement during current operations has incorporated all aspects of this continuum: maintenance of health in the field, use of organic airlift, versatile equipment support packages, early-on critical care intervention, and information systems that track and inform leadership of the health and location of their troops.

From battlefield injury to home station, there is seamless patient movement under the umbrella of qualified, capable aircrew members and trained critical care professionals.

I must mention here, that 87 percent of the aeromedical evacuation capability I have described resides within the Air Force Reserve Command and Air National Guard. These dedicated men and women of these organizations are truly our Total Force partners.

Medical Care in Contingencies

Medical Care in Contingencies, is our fourth core competency and one in which we have also seen significant transformation.

The Air Force Medical Service provides the full spectrum of ground-based medical care during contingencies. Described as a "Red Wedge" capability, expeditionary medical care begins with a rapid ramp-up of medical capability. First into the field is our small Prevention and Aerospace Medicine—or PAM—Team. PAM teams are 2- to 4-person teams who are our first-in-and-last-out medics. They are inserted with the very first troops and are capable of providing health care, on location, before the first tent stake is in the ground.

Team members include an aerospace medicine physician, bioenvironmental engineer, public health officer and an independent duty medical technician. They provide initial health threat assessment and the surveillance, control, and mitigation of the effects of the threat. Additionally, the aerospace medicine physician and independent duty medical technician provide primary and emergency medical care and limited flight medicine.

As forces start to build in theater, so does the size of the medical contingency. The PAM team is quickly followed by a small but exceptionally skilled Mobile Field Surgical Team [MFST].

This highly trained surgical team includes a general surgeon, an orthopedic surgeon, an emergency medical physician and operating room staff, including an anesthesia provider and an operating room nurse or technician. The 5 team members each carry a 70-pound, specially equipped backpack of medical and surgical equipment. Within these few backpacks is enough medical equipment to perform 10 emergency, life-or-limb-saving surgeries without resupply.

By putting backpack providers deep into the theater or operations we save time and we save lives. No longer do we wait for the wounded to come to us, we take the surgery to the soldier.

The MFST's capability has been proven in Operation Enduring Freedom. For example, less than one month after Sept. 11, Air Force medics assigned to Air Force Special Operations in OEF saved the life of an Army sergeant who lost nearly two-thirds of his blood volume when he fell and severely damaged his internal pelvic region. Within minutes, an Air Force MFST reached him and worked more than four hours to stabilize him enough for transportation to a U.S. military medical facility.

A Canadian journalist at Bagram Air Base—not far from Kabul, Afghanistan—was horribly injured when a grenade ripped open her side. Our medics were there instantly to provide initial stabilization, treatment, and her first surgery. Our Aeromedical and CCATT teams arranged rapid aeromedical evacuation and provided care in the air. The TRAC2ES system tracked her movement from Southwest Asia to Europe. It provided early warning to the receiving facility of her condition and extent of her wounds. When she landed she was met by our medics and taken to a military hospital for definitive care.

Both patients survived. Just a few years ago, before we created this capability, both would have died.

We can provide full spectrum care – anytime – anywhere.

Expeditionary Medical Support—EMEDS— is the name we give our deployed *inpatient* capability. The small PAM and MFST teams I described are the first two building blocks of an EMEDS. To them, we add 17 more medical, surgical, and dental personnel. These medics bring with them enough tents and supplies to support four inpatient beds. We can keep adding people and equipment in increments as needed until we have erected a 125-bed field hospital. A unique capability of EMEDS is that they are equipped with special liners, ventilation and accessories to protect against biological and chemical warfare attacks.

As an additional measure to defend against these weapons, we field Biological Augmentation Teams. They provide advanced diagnostic identification to analyze clinical and environmental samples centered around RAPIDS, our Rapid Pathogen Identification System. Each team has two laboratory personnel who can deploy as a stand-alone team or in conjunction with an EMEDS package.

After our successful deployment of Biological Augmentation Teams to New York City in response to the October 2001 anthrax attack, we realized just how invaluable these teams were to local public health and Centers for Disease Control officials. Since then, we have reached a total of 30 fully staffed and equipped teams, and additional 14 manpower teams designed to backfill or augment the other teams. They have been—and continue to be—deployed throughout OPERATION Enduring Freedom.

A common attribute of each medical team I have described is that they are small. The Air Force expeditionary medical footprint is shrinking. These smaller units can be assembled in increments; therefore, are flexible to the base commander's requirements.

Their small size makes them cheaper, easier, and faster to transport. A few years ago we used to talk about how many aircraft we needed to move our huge Air Transportable Hospitals into a theater. Now we talk about how many *pallets* we need on *an* aircraft.

In just a little over a decade, we have become far more capable with fewer people, less size, less weight, less space. . . and less *time*.

This is important. Speed counts. CNN claims it can have a journalist anywhere in the world reporting within seven minutes of an incident. We may not beat CNN to the scene, but our light, highly-mobile expeditionary medical support teams will be on the ground shortly thereafter—perhaps within as little as three to five hours. For any humanitarian or combat contingency, our EMEDS concept is a true force multiplier. It gives the combatant commander state-of-the-art, worldwide medical care for his deployed forces.

Our transformation has accelerated the speed with which Air Force medics get to where they are needed. Our *training programs* ensure that once they get there, they are fully capable of providing life-saving care.

Two medical training programs are especially crucial to this capability; one is our Readiness Skills Verification Program (RSVP).

Each member of a deploying health care team, whether a physician, logistician, administrator or nurse, will be called upon to perform numerous tasks in the field, tasks they would never encounter in their home-base medical facility. The RSVP ensures these troops train on, and master, each of these must-know tasks.

Our medics practice them routinely. The list is varied: treating tropical diseases, linking our computer to foreign networks, using ruggedized surgical equipment in field tents . . . troops must master these tasks before their boots touch the ground in a deployed location.

The other medical training program vital to our expeditionary medicine mission is the Center for the Sustainment of Trauma and Readiness Skills, or C-STARS.

Because our military physicians care for arguably the healthiest population in the world, the medical problems they see during the normal duty day are different from the traumatic and life-threatening injuries the providers will encounter in the battlefield.

To prepare our medics to care for these injuries, we train them in one of three C-STARS locations: civilian hospitals in Cincinnati—where our Reserve personnel train; St. Louis—where Air National Guard medics train; and Baltimore where active duty personnel train. Our staff work side-by-side with civilians in these facilities to care for patients suffering from knife and gunshot wounds, crushing injuries, and other traumatic wounds; the kind of injuries our medics can expect to encounter while deployed.

Hundreds of our medics have trained at C-STARS over the last 2 years. At one time, more than 75 percent of the Air Force special operations medics in Afghanistan received their first “battle-field medicine” experience at C-STARS, as have all of the CCAT care-in-the-air teams I mentioned earlier.

Interfacing with World Health

Our allies and coalition partners around the world are paying close attention to these initiatives. They are eager to work with us in improving their military medicine programs. This leads me to discuss our final core competency, Interfacing with World Health.

The Department of Defense's Joint Vision 2020 states that today's US forces must be prepared to operate with multinational forces, government agencies, and international organizations. The Air Force International Health Specialist Program fulfills this mission. The International Health Specialist program identifies medics with specialized language and/or cultural skills, trains these airmen to enhance their skills, and provides a database of medics tailor-made for specific international missions.

Active Duty, Air National Guard, and Air Force Reserve International Health Specialists regularly interact with the U.S. Unified Command Staff, non-governmental agencies, members of foreign military units, and interagency personnel. They provide insightful recommendations on a variety of issues and situations.

Whether assisting with blast resuscitation and victim assistance missions in Cambodia, conducting on-site capability surveys in Sierra Leone and Senegal, or by participating in discussions on international humanitarian law, our International Health Specialists are at the forefront of global health engagement. Their involvement in host-nation exercises and civic assistance activities ensures we are ready to deploy assets wherever and whenever needed, and that the Air Force Medical Service can effectively engage in multi-national environments.

Through our Professional Exchange Program, foreign military physicians provide care shoulder-to-shoulder with our staff in Air Force medical facilities. In addition, our Expanded International Military Education and Training Program uses Air Force medics to "train the trainers" of foreign military and civilian medical facilities. In the last couple of years we have trained 1,700 healthcare providers in 18 countries. We share our expertise on

how to train and prepare for, and react to, medical contingencies. Often, our foreign students are receiving such instruction for the very first time.

Ultimately, if a regional contingency does occur, our medics will be able to respond to it as one of many partners in a carefully orchestrated international coalition of medics.

To summarize, those are our five core competencies: Population-based Health Care, Human Performance Enhancement and Sustainment, Fixed Wing Aeromedical Evacuation, Medical Care in Contingencies, and Interfacing with World Health.

Human Resources

Our successes in these core competencies could not be accomplished were it not for the phenomenal people whom we recruit and maintain among our ranks. We know our medics are among the best in their fields. For example, the internal medicine program at Wilford Hall Medical Center at Lackland AFB, Texas, recently scored third out of 398 programs nationwide during the Medical Resident in Training examinations, placing them in the top 1 percent in the nation. This is extremely impressive when one considers we're being compared to medical programs such as Harvard's. This is but one example of the caliber of our nearly 45,500 Active Duty and Reserve Component medical personnel. This number includes more than 1,400 dentists, 5,000 physicians, and 7,000 nurses. However, attracting and keeping these troops is difficult. We seek only the most educated and dedicated nurses, physicians, and dentists. Obviously, those attributes are also highly sought by civilian health care organizations.

The Air Force offers these young professionals a career of great self-fulfillment, awesome responsibility, and excitement. The civilian market offers these incentives, too, but in many cases—in most cases—provides a far more attractive financial compensation. Furthermore, the life and family of a civilian provider is not interrupted by deployments—something our troops are experiencing at a frequency not seen since World War II.

These deployments are a burden to our active and reserve forces. I am keenly aware of the elevated use of our Air Reserve Component over the last decade, and the difficulties deployments create for their family and work lives. My staff do their utmost to only use ARC forces on voluntary status, to activate them for the shortest time possible, and to call upon their services only when other options are not available.

However, it is for these reasons—the lure of more attractive civilian compensation and the frequent deployments—that we find it difficult to attract the kind of medical professionals we badly need.

For instance, our Fiscal Year 2002 recruiting goal was to acquire over 300 fully trained physicians -- we recruited 41. We required 150 new dentists -- we recruited 39. Nurses, we needed nearly 400 -- we recruited 228.

Fortunately, last year's National Defense Authorization Act permits increased compensation for these skills. It allows for loan repayment, increased accession bonuses and specialty pay. I thank you for providing these incentives. They are very useful tools and a good start toward obtaining the quality and quantity of medical professionals we so urgently need.

Conclusion

In conclusion, I am incredibly proud of our Air Force medics and honored to lead them. Each of these five core competencies demonstrates how far the Air Force Medical Service has transformed since the fall of the Berlin Wall, especially in the last five years. We will continue to anticipate the challenges of tomorrow to meet them effectively.

We are very proud to have a leading role in support of our expeditionary Air Force. As the U.S. Air Force focuses more and more on improved effects, we are in lockstep with the line in our ability to provide the right care at the right time with the right capability. We remain at the right shoulder of war fighters, at *home base* to provide for a healthy workplace and home, and *in the field* to keep war fighters protected and at the peak of their mental and physical capabilities.

We thank you for the critical support you provide that makes this possible.



T H E M I L I T A R Y C O A L I T I O N

201 North Washington Street
Alexandria, Virginia 22314
(703) 838-8113

**STATEMENT OF
THE MILITARY COALITION (TMC)**

before the

Subcommittee on Total Force

House Armed Services Committee

March 27, 2003

Presented by

**Robert Washington, Sr.
Fleet Reserve Association
Co-Chairman, The Military Coalition Health Care Committee**

And

**Sue Schwartz, DBA, RN
Military Officers Association of America
Co-Chairman, The Military Coalition Health Care Committee**

Robert Washington, Sr.
Director legislative Program
Fleet Reserve Association

Robert Washington, Sr. is Director Legislative Program for the Fleet Reserve Association (FRA). He joined the Association in February 1988 and has been a continuous member ever since. He is a retired Senior Chief Yeoman. Before joining the FRA National Headquarters staff in 1998, he was the Navy's Senior Enlisted Advisor for the Defense Information Systems Agency in Arlington, Virginia.

He enlisted in the United States Navy in December 1971, and served continuously until his transfer to the Fleet Reserve. During his career, he served aboard the USS *Strong* (DD-758), USS *Simon Lake* (AS-33), HS-17 onboard USS *Coral Sea* (CV-43), USS *Mount Whitney* (LCC-20), and was embarked in COMCARGRU FOUR staff, Norfolk, Virginia. He also served at the following shore duty command: Staff MINERON Twelve, Charleston, South Carolina; PSD, NTC, Orlando, Florida; PSD Crystal City, Arlington, Virginia; Bureau of Naval Personnel, Washington, DC; DISA, Arlington, Virginia. He is also a graduate of the Navy Senior Enlisted Academy, Newport, Rhode Island.

As Director Legislative Program, he works hand-in-hand with The Military Coalition (TMC) and Congress on healthcare issues involving active duty members, reservists, and military retirees and their family members. He is also responsible for communicating with Congress on military compensation, benefit and entitlement issues, writing and presenting testimony, tracking legislation and speaking at FRA legislative seminars. The Coalition represents over five million active duty, reserve, and retired military personnel, and veterans. Washington also serves as co-chairman of TMC's Health Care Committee, as a representative to the Navy and Marine Corps Council, the Department of Defense Healthcare Initiatives Review Panel, and the Uniformed Beneficiary Pharmacy Advisory Panel.

He is presently serving as Regional Vice President East Coast Region, past President of Navy Department Branch 181, Fleet Reserve Association, Arlington, Virginia, past Chairman Central Liaison Committee for the Northern Capitol Region, and past Chairman of the Association's Bylaws and Rules Committee, East Coast Region.

He was born in Charleston, South Carolina, and was raised and educated in that city. He and his wife, Debra, currently reside in Oxon Hill, Maryland; they have two sons and one daughter.

Sue Schwartz, DBA, RN
Deputy Director, Government Relations
The Military Officers Association of America (MOAA)

Sue Schwartz is Deputy Director of Government Relations, Health Affairs at the Military Officers Association of America (MOAA) where she follows health care reform legislation and its potential impact on the military health services system and serves as co-chairman of the Military Coalition's Health Care Committee. In November 2000, Dr. Schwartz joined the staff at MOAA after leaving the National Military Family Association (NMFA) as the Associate Director, Government Relations

Dr. Schwartz has over 19 years experience as a registered nurse in a variety of health care settings, holding positions of staff nurse, Operating Room Educator, Operating Room/Post Anesthesia Care Unit Director, and Quality Improvement Director. Her consultative experience with Allegiance Health Care, Inc., emphasized cost reduction through supply logistics and clinical activities reengineering. She currently serves as a commissioner on the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans and is a member of the Office of the Secretary of Defense's TRICARE Beneficiary Panel.

Her education preparation includes: DBA from NOVA Southeastern University, MBA from Auburn University, Montgomery, MSA from Central Michigan University, BS from Springfield College and ADN from Bristol Community College. Dr. Schwartz is a certified operating room nurse (CNOR) since 1989, receiving the Association of Perioperative Registered Nurses (AORN) scholarship awards in 1990, 1991, 1997, and 1998. In addition, she is a member of Beta Gamma Sigma, a national business honorary.

A spouse of an active duty Marine officer, she resides in Northern Virginia.

MISTER CHAIRMAN AND DISTINGUISHED MEMBERS OF THE SUBCOMMITTEE. On behalf of The Military Coalition, a consortium of nationally prominent uniformed services and veterans' organizations, we are grateful to the Subcommittee for this opportunity to express our views concerning issues affecting the uniformed services community. This testimony provides the collective views of the following military and veterans' organizations, which represent approximately 5.5 million current and former members of the seven uniformed services, plus their families and survivors.

- Air Force Association
- Air Force Sergeants Association
- Air Force Women Officers Associated
- AMVETS (American Veterans)
- Army Aviation Association of America
- Association of Military Surgeons of the United States
- Association of the United States Army
- Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard
- Commissioned Officers Association of the U.S. Public Health Service, Inc.
- Enlisted Association of the National Guard of the United States
- Fleet Reserve Association
- Gold Star Wives of America, Inc.
- Jewish War Veterans of the United States of America
- Marine Corps League
- Marine Corps Reserve Officers Association
- Military Chaplains Association of the United States of America
- Military Officers Association of America
- Military Order of the Purple Heart
- National Guard Association of the United States
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Navy League of the United States
- Non Commissioned Officers Association
- Reserve Officers Association
- Society of Medical Consultants to the Armed Forces
- The Retired Enlisted Association
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars
- Veterans' Widows International Network

The Military Coalition, Inc., does not receive any grants or contracts from the federal government.

EXECUTIVE SUMMARY: RECOMMENDATIONS OF THE MILITARY COALITION

Adequate Funding For The Defense Health Budget: The Military Coalition strongly recommends the Subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, to include military medical readiness, TRICARE, and the DoD peacetime health care mission. The Defense Health Budget must be sufficient to provide financial incentives to attract increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

TRICARE for Life Implementation

Claims Processing for Under-65 Medicare-Eligible Beneficiaries: The Military Coalition urges the Subcommittee to change the law to require that all Medicare-eligible uniformed services beneficiaries, regardless of age or status, shall be entitled to the same TFL benefits, claims processing treatment, and benefits information notification currently afforded to Medicare-eligible beneficiaries over age 65, effective upon enactment.

Education for Under-65 Medicare-Eligible Beneficiaries: The Military Coalition urges the Subcommittee to require DoD to develop a mechanism to inform under 65 Medicare eligible retiree beneficiaries of the Part B requirement and to continue their TRICARE benefit until the first date their Medicare coverage can take effect, contingent on the beneficiary's participation in the next Part B open enrollment period.

Medicare Part B Penalty: The Military Coalition recommends that individuals who attained age 65 prior to October 1, 2001, who would otherwise be subject to a Medicare Part B late enrollment penalty, should have the ability to enroll in Medicare Part B during a special enrollment period and to have penalties waived.

Dual-Eligible DoD-VA Beneficiaries: The Military Coalition urges the Subcommittee to remain vigilant in its efforts to ensure that military retirees also eligible for VA care should not be forced to make an election between VA and DoD health care and to take further steps to permit dual eligibles access to both systems.

TRICARE Improvements

Distinction between TRICARE Prime and Standard: The Military Coalition urges the Subcommittee to focus its primary energies on revitalizing the TRICARE Standard program. To this end, the Coalition recommends requiring that any reports from the Department of Defense, the Comptroller General or other sources specify separate assessments of TRICARE Prime and TRICARE Standard statistics, problems, policies, procedures, and impacts on beneficiaries.

Provider Reimbursement: The Military Coalition requests the Subcommittee's support of any means to raise Medicare rates to more reasonable standards and to support measures to address Medicare Part B's flawed reimbursement formula.

The Military Coalition most strongly urges the Subcommittee to institute a pilot project at several locations of varying characteristics to test the extent to which raising TRICARE Standard rates increases the number of providers who are willing to accept new Standard patients.

The Military Coalition urges the Subcommittee to further align TRICARE with Medicare by adapting the Medicare Disproportionate Share payment adjustment to compensate hospitals for the care of TRICARE beneficiaries.

Network and Standard Provider Availability: The Military Coalition urges the Subcommittee to require DoD to communicate benefits information directly to Standard beneficiaries, develop a Standard beneficiary education program, assist Standard beneficiaries in finding providers who will accept new TRICARE Standard patients, including interactive on-line lists and other means of communication and to authorize a program to enhance TRICARE Standard provider recruitment

FEHBP Option: The Military Coalition urges the Subcommittee to authorize a demonstration program to test interest, feasibility, and cost-effectiveness of providing uniformed services beneficiaries, family members, retirees and survivors under the age of 65 an option to enroll in FEHBP on the same basis as their federal civilian counterparts.

Administrative Burdens: The Military Coalition urges the Subcommittee to continue its efforts to make the TRICARE claims system mirror Medicare's, without extraneous requirements that deter providers and inconvenience beneficiaries.

Prior Authorization: The Military Coalition urges the Subcommittee's continued efforts to narrow and ultimately eliminate requirements for pre-authorization.

TRICARE Prime (Remote) Improvements: The Military Coalition requests that the Subcommittee authorize TRICARE Prime Remote beneficiary family members to retain their eligibility when moving to another remote area when such move is funded by the government and there is no reasonable expectation that the service member will return to the former duty station.

The Military Coalition recommends that Subcommittee authorize extension of TRICARE Prime Remote coverage to retirees and their family members and survivors at the same locations where it is established for active duty families.

Healthcare for Members of the National Guard and Reserve: The Military Coalition urges making the TRICARE medical program available for members of the National Guard and Reserve Component and their families prior to activation on a cost-sharing basis in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve. In addition, to further ensure continuity of coverage for family members, the Coalition urges allowing activated Guard/Reserve members the option of having the Department of Defense pay their civilian insurance premiums during periods of activation

Coordination of Benefits and the 115% Billing Limit Under TRICARE Standard: The Military Coalition strongly recommends that the Subcommittee direct DoD to eliminate the 115% billing limit when TRICARE Standard is second payer to other health insurance and to reinstate the "coordination of benefits" methodology.

Nonavailability Statements under TRICARE Standard: The Military Coalition strongly recommends that all requirements for Nonavailability Statements be removed from the TRICARE Standard option and that all waivers be eliminated, effective upon enactment. Should

the Subcommittee deem this impractical at this time, the Coalition urges the Subcommittee to build on the maternity care precedent by incrementally eliminating NAS authority for additional kinds of care.

TNEX – TRICARE Next Generation of Contracts: The Military Coalition recommends that the Subcommittee strictly monitor implementation of the next generation of TRICARE contracts and ensure that Beneficiary Advisory Groups' inputs are sought in the implementation process.

Health Care Information Lines (HCIL): The Military Coalition urges the Subcommittee to direct DoD to modify the TNEX contract to make HCIL access universal for all beneficiaries and to develop a plan to provide for uniform administration of HCIL services nation-wide.

Uniform Formulary Implementation: The Military Coalition urges the Subcommittee to ensure a robust uniform formulary is developed with reasonable medical-necessity rules along with increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

Fully Implement Portability and Reciprocity: The Military Coalition strongly urges the Subcommittee to direct DoD to expend the resources it needs to facilitate immediate implementation of portability and reciprocity to minimize the disruption in TRICARE services for beneficiaries.

TRICARE Benefits for Remarried widows: The Military Coalition urges the Subcommittee to restore equity for military widows by reinstating TRICARE benefits for otherwise qualifying remarried widows whose second or subsequent marriage ends in death or divorce.

Deduct TRICARE Prime enrollment fees from retiree pay: The Military Coalition urges the Subcommittee to require DoD to implement existing authority to deduct TRICARE Prime enrollment fees from enrollees' retired pay.

Codify Requirement to Continue TRICARE Prime in BRAC areas: The Military Coalition urges the Subcommittee to amend Title 10 to require continuation of TRICARE Prime network coverage for all uniformed services beneficiaries residing in BRAC areas.

TRICARE Retiree Dental Plan: The Military Coalition urges the Subcommittee to consider providing a subsidy for retiree dental benefits and extending eligibility for the retiree dental plan to retired beneficiaries who reside overseas.

Commonwealth of Puerto Rico CONUS Designation: The Military Coalition urges the Subcommittee to support administrative inclusion of the Commonwealth of Puerto Rico with the CONUS for TRICARE purposes, so that retired beneficiaries in Puerto Rico may be eligible to enroll in TRICARE Prime.

Tax Relief for Uniformed Services Beneficiaries: The Military Coalition urges the Subcommittee to support HR 1231 to provide active duty and uniformed services beneficiaries a tax exemption for premiums paid for TRICARE Prime enrollment fees, TRICARE Standard supplements, and FEHBP premiums.

Custodial Care: The Military Coalition recommends the Subcommittee's continued oversight to assure that medically necessary care will be provided to all custodial care beneficiaries; that Congress direct a study to determine the impact of the new legislation upon all beneficiary classes, and that beneficiary groups' inputs be sought in the development of implementing regulations.

HEALTH CARE TESTIMONY 2003

The Military Coalition (TMC) is most appreciative of the Subcommittee's exceptional efforts to honor the government's health care commitments to uniformed services beneficiaries, particularly for Medicare-eligibles and active duty members and families. These and other Subcommittee-sponsored enhancements represent the greatest military health care advancements in a generation and save uniformed services beneficiaries thousands of dollars a year. The Coalition also thanks the Subcommittee for its continuing efforts to facilitate improvements in TRICARE claims processing, portability, and access.

However, much remains to be done. Today, we wish to address certain chronic problem areas, and some additional initiatives that will be essential to providing an equitable and consistent health for all categories of TRICARE beneficiaries, regardless of age or geography.

We urge the Subcommittee to particularly turn its attention to the situation of beneficiaries under age 65. While the Subcommittee has substantially eased cost burdens for Medicare-eligibles and for active duty families in TRICARE Prime and Prime Remote, we need to draw attention to the 3.2 million TRICARE Standard beneficiaries many of whom face increasingly significant provider accessibility challenges.

The Coalition looks forward to continuing its productive and cooperative efforts with the Subcommittee's members and staff in pursuit of this common objective.

ADEQUATE FUNDING FOR THE DEFENSE HEALTH BUDGET

Once again, a top Coalition priority is to work with Congress and DoD to ensure full funding of the Defense Health Budget to meet readiness needs and deliver services, through both the direct care and purchased care systems, for ALL uniformed services beneficiaries, regardless of age, status or location. An adequately funded health care benefit is essential to readiness and the retention of qualified uniformed service personnel.

The Subcommittee's oversight of the defense health budget is essential to avoid a return to the chronic underfunding of recent years that led to execution shortfalls, shortchanging of the direct care system, inadequate equipment capitalization, failure to invest in infrastructure and reliance on annual emergency supplemental funding requests as a substitute for candid and conscientious budget planning.

While supplemental appropriations were not required last year, we are concerned that the current funding level only meets the needs of the status quo and does not address the growing requirement to support the deployment of forces to Southwest Asia and Afghanistan. Addressing funding for these increased readiness requirements; TRICARE provider shortfalls and other needs will require additional funding.

The Military Coalition strongly recommends the Subcommittee continue its watchfulness to ensure full funding of the Defense Health Program, to include military medical readiness, TRICARE, and the DoD peacetime health care mission. The Defense Health Budget must be sufficient to provide financial incentives to attract increased numbers of providers needed to ensure access for TRICARE beneficiaries in all parts of the country.

TRICARE FOR LIFE IMPLEMENTATION

The Coalition is pleased to report that, thanks to this Subcommittee's focus on beneficiaries, TMC representatives continue to be engaged in an OSD-sponsored action group, the TFL Working Group. The Working Group has broadened its scope from its original TFL focus, and has been renamed accordingly as the TRICARE Beneficiary Panel. The group continues to meet on a regular basis to further refine TFL and tackle other TRICARE beneficiary concerns. We are most appreciative of the positive working relationship that has evolved between the Beneficiary Panel and the staff at TMA. This collegiality has gone a long way toward making the program better for all stakeholders. From our vantage point, DoD continues to be committed to implement TFL consistent with congressional intent and continues to work vigorously toward that end.

The Coalition is concerned that some TFL implementation "glitches" remain. The Beneficiary Panel has provided a much-needed forum to exchange DoD and beneficiary perspectives and identify corrective actions. The majority of issues, especially with regard to TFL claims processing appear to be resolved. The Coalition will continue to work closely with DoD to monitor remaining issues and any others that may arise.

The Coalition has identified certain statutory limitations and inconsistencies that we believe need adjustment to promote an equitable benefit for all beneficiaries, regardless of where they reside.

Claims Processing for Under-65 Medicare-Eligible Beneficiaries. When TFL was enacted, the Coalition believes Congress intended that ALL Medicare-eligible beneficiaries should receive the same benefit and the same claims-processing treatment. Unfortunately, this has not turned out to be the case as DoD has interpreted and implemented the TFL statute.

The Coalition is very concerned about claims processing limitations that persist for the estimated 48,000 under-65 Medicare-eligible population. These TRICARE beneficiaries (who are eligible for Medicare due to disability) continue to be left out of the electronic claims processing -- the standard for TFL beneficiaries over 65. Eligibility for automated claims is essential to make TFL work smoothly, since it allows TFL beneficiaries access to any Medicare-participating provider. In this regard, Medicare providers incur no extra paperwork with TFL patients, because Medicare automatically processes the claims to TFL. Without inclusion in the electronic claims process, younger disabled beneficiaries must still find a provider who accepts TRICARE in addition to Medicare, and their providers are still saddled with filing individual paper claims with TRICARE for each episode of care. Since this entails much slower processing and payment, many providers are unwilling to care for under-65 Medicare-eligibles or require payment upfront at the time of service.

House report language accompanying the FY 2003 NDAA (P.L. 107-107) directs DoD to provide Medicare-eligibles under 65 the ability to participate in the electronic claims process and to provide a report by March 31, 2003. However, DoD has shown little initiative to expedite a fix for these deserving beneficiaries. The department has indicated its intent to delay inclusion of under-65 retired Medicare-eligible beneficiaries in the electronic claim system until the new TRICARE contracts are implemented at some point in 2004. This means disabled Medicare-eligibles under age 65 face a delay of over three years in receiving the benefit of Congress' action. The Coalition believes this situation is extremely unfair and imposes an undue burden on

these disabled beneficiaries who most need care and often endure financial hardship because of their disability.

The Military Coalition urges the Subcommittee to change the law to require that all Medicare-eligible uniformed services beneficiaries, regardless of age or status, shall be entitled to the same TFL benefits, claims processing treatment, and benefits information notification currently afforded to Medicare-eligible beneficiaries over age 65, effective upon enactment.

Education for Under-65 Medicare-Eligible Beneficiaries. Unlike Medicare-eligibles over the age of 65, disabled beneficiaries under 65 receive no formal communication from DoD about how their TRICARE benefits change upon becoming eligible for Medicare Part B. (Under-65 Medicare eligibles retirees must enroll in Part B in order to keep their TRICARE benefits.)

Many beneficiaries are unaware of this requirement, only to find their TRICARE claims denied when it is discovered they are also eligible for Medicare. The Coalition values TMA's willingness to make good faith payments for these beneficiaries and to provide a five day grace period where the claims are paid to date and the benefit is terminated on day five. However, this is not enough. The annual open enrollment season for Medicare is the 1st quarter of the year, with benefits beginning in the 3rd quarter. Therefore, many who are in the greatest need of care are now having their TRICARE benefit terminated and being left in the lurch without coverage until the following July 1st.

The Coalition does not understand why the beneficiary is subsequently cut off from TRICARE before they can get into CMS's arbitrary open enrollment season – especially when they were inadequately informed of the Part B requirement in the first place.

Through the Beneficiary Panel, the Coalition has continued to urge DoD to take a more proactive stance in aggressively educating this group about the benefits changes associated with Medicare eligibility. While the revision of the September 2002 TRICARE Handbook was a monumental effort, the education of dual eligibles about the Part B requirement as stated on page 9 remains woefully inadequate and there still remains NO effort to contact these beneficiaries.

The Military Coalition urges the Subcommittee to require DoD to develop a mechanism to inform Medicare eligible retiree beneficiaries under 65 of the Part B requirement and to continue their TRICARE benefit until the first date their Medicare coverage can take effect, contingent on the beneficiary's participation in the next Part B open enrollment period.

Medicare Part B Penalty. Currently, an estimated six % of the Medicare-eligible beneficiaries residing in the United States would be subject to a Medicare Part B late enrollment penalty if they desire to participate in TFL. The penalty, which increases by 10 % per year, is particularly onerous for more elderly retirees (principally the veterans of World War I and World War II), lower grade retirees, and survivors. Last year, the House passed H.R. 4546 to authorize an open enrollment season to relieve TFL-eligibles from this penalty, recognizing that many older military beneficiaries (especially those residing overseas, where Medicare does not pay) had no previous incentive to enroll in Medicare Part B. Unfortunately, the Senate did not complete action on a similar bill. The Coalition strongly supports this initiative, but recognizes that jurisdiction over any aspect of the Medicare program is outside the purview of the Armed

Services Committees. We ask for the Subcommittee's support for new legislation to provide for a special enrollment period.

The Military Coalition recommends that individuals who attained age 65 prior to October 1, 2001, who would otherwise be subject to a Medicare Part B late enrollment penalty, should have the ability to enroll in Medicare Part B during a special enrollment period and to have penalties waived.

Dual-Eligible DoD-VA Beneficiaries. The Coalition is very grateful to the Subcommittee for the FY 2002 National Defense Authorization Act (NDAA) (P.L. 107-107) provision that prohibits the Secretary of Defense from forcing DoD beneficiaries who are also eligible for Veterans Administration (VA) medical care to choose between DoD and VA care.

We support the Subcommittee's rational approach, and its resistance to the efforts of those who would force disabled retirees to choose one system or the other, or who would try to merge parts or all of the two systems. We agree strongly with the Subcommittee that the right approach is to avoid trying to solve the government's budgetary and oversight issues by restricting beneficiary options or forcing them into a health care system that was not designed to meet their needs.

However, the Coalition was distressed to learn that Chapter 10, Sec 1.1 and Chapter 13, Section 12.1 of the TRICARE Policy Manual state that when an individual is entitled to VA services because of a service-connected disability and is TRICARE-eligible, the individual must choose the program to use for each episode of care. Once that individual has selected the program of choice, crossover is not permitted for that episode of care. DoD will not care for a TRICARE beneficiary who has been receiving VA care for their service-connected disability for that episode of care. The Coalition appreciates the Subcommittee's effort in the FY2003 NDAA to take steps to address access for dual-eligible beneficiaries and better define the term "episode of care" for this purpose.

The Coalition contends that dual-eligibles should be allowed access to both systems and the two agencies should resolve reimbursement issues. This situation is made more complex because of the long waiting times for VA care. The VA has no enforceable access standards to speak of, while Prime beneficiaries have the right to stringent access standards. In addition, the Coalition is not aware of any circumstances where beneficiaries are educated about the limitations in their TRICARE benefit - should they coincidentally have a service-connected disability.

The Coalition rejects DoD's rationale for this egregious policy -- which it is allegedly meant to preserve continuity of care. When the Coalition has sought to abolish Nonavailability Statements (NAS) based on continuity of care concerns, DoD vigorously argues the other side of the case.

The Coalition is concerned about the double standard that is in place:

- If you are a service connected disabled Veteran - despite your wishes to be treated elsewhere, continuity of care keeps you out of TRICARE.
- If you are a Standard beneficiary, your desire for continuity of care is disregarded and you are forced into the military's direct care system.
- If you have other health insurance, you can get continuity of care wherever you want, and DoD will bill your other insurance should you use the TRICARE benefit.

The Coalition believes that the reality of the situation is that DoD selectively supports or opposes continuity of care depending on which position is to DoD's financial advantage, regardless of beneficiary inconvenience or continuity of care concerns.

The Military Coalition urges the Subcommittee to remain vigilant in its efforts to ensure that military retirees also eligible for VA care should not be forced to make an election between VA and DoD health care and to take further steps to permit dual eligibles access to both systems.

TRICARE IMPROVEMENTS

Access to Care. Access to care is the number one concern expressed by our collective memberships. More and more beneficiaries report that few, if any, providers in their area are willing to accept new TRICARE Standard patients. Enhanced benefits for our seniors and decreased cost shares for active duty beneficiaries will be of little consequence to beneficiaries who cannot find a TRICARE provider.

To address Executive and Legislative Branch requests for specifics of areas with TRICARE Standard access problems, the Military Officers Association of America (MOAA) has been conducting an on-line survey of TRICARE Standard beneficiaries. The purpose of the survey was to gather specific examples of the extent to which Standard beneficiaries are having difficulties accessing primary and specialty care in different parts of the country. The survey was posted on the MOAA website, and a self-selected sample of about 1,400 beneficiaries responded. A copy of the preliminary results of the survey is attached as Appendix A.

On the average, about 44% of respondents indicated said they have not been able to find a TRICARE Standard primary care provider. For those seeking specialty care 51% were unable to find a participating provider. Many who found a provider, did so only after a struggle.

In substantial numbers of cases, this means beneficiaries are forced to pay the entire amount of the bill up front at the time of service. This places a significant financial burden on these beneficiaries, who are in essence financing the TRICARE benefit out of their own pockets. More disturbing, it appears that at least some of these beneficiaries are unaware that they can submit their own claims to TRICARE Standard to receive partial reimbursement based on TRICARE maximum allowable charges (TMAC).

We urge the Subcommittee to review the respondent's comments in Appendix A as their personal stories reflect:

- Frustration finding a provider willing to accept new TRICARE patients;
- Inadequate attention by TRICARE Managed Care Support Contractors (MCSCs) in maintaining current lists of participating providers;
- The significant impact of low reimbursement, claims processing and administrative hassles upon provider participation;
- A lack of understanding on the part of providers about the TRICARE Standard benefit; and
- Lack of adequate support by the Department of Defense and its MCSCs in assisting TRICARE Standard beneficiaries find a provider who will serve them.

The Coalition would like to bring to the Subcommittee's attention a few comments from respondents from selected areas of the country.

Plano, Texas:

Approximately eight weeks ago, my wife developed a severe spasm of the upper right side of her body. Her Internist (who does not accept TRICARE but to whom we have been going for years) ordered another MRI. This indicated that my wife has not had an additional stroke to the one she suffered a year ago. The doctor recommended that we see a neurologist. I obtained a list of neurologists from the TRICARE web site within our area. I contacted six of them from that list. One no longer was in practice, two only accepted TRICARE as a second payer to Medicare, and the other three did not accept TRICARE. None of them would even accept cash and let me file as they said they would then be forced to accept TRICARE. Three times, I contacted the TRICARE physician finder service and each time obtained a list of four to six doctors. Of these doctors, two had moved out of state, two had retired, four only accepted TRICARE as a second payer to Medicare, one had his telephone disconnected, four no longer accepted TRICARE, one would file TRICARE as a courtesy if we paid cash but could not give us an appointment for six weeks, and one accepted TRICARE only as second payer to Medicare but would give us an appointment if we paid cash and filed ourselves. We are going to see this doctor on 3/17 and pay cash. It will have been ten weeks since the onset of these spasms and the pain that has caused. Even the TRICARE system cannot provide accurate information for those few doctors still accepting TRICARE.

Greensboro, North Carolina:

Physicians in Greensboro, NC (a city of approx 225,000) who will accept TRICARE Standard are almost non-existent, and the nearest military facility is more than two hours away. In late 2002, I telephonically solicited TRICARE help in locating TRICARE Standard providers in this area and was told they had no such listing. Thus, I was left to wade thru the local Yellow Pages and contact individual doctors' business offices to see who would accept TRICARE Standard. Approximately 95% said "No" based in large part on past difficulties (e.g., administrative nightmare, poor reimbursement rates, tardy Government response to claims) in dealing with the old CHAMPUS. The very few who do demand 100% upfront payment before services will be rendered. I pretty much feel that TRICARE Standard doesn't work for me (except for the mail order pharmacy aspect), and I must seek some other form of medical coverage. Congress has not lived up to what I was promised when I joined the U.S. Air Force in 1964!!

Tallahassee, Florida:

I needed cardiac testing & care this week & the local hospital, Tallahassee Memorial, would not accept my insurance. I was finally told to go to Tallahassee Community Hospital for the tests and care I needed. I spent three or more months looking for a family doctor when I moved here last year and it took at least 8 calls before finding one & my daughter was also searching for me. The local walk-in clinics would not see me when I was sick because they would not take my insurance. I finally found a heart doctor through my family doctor as a referral. The word TRICARE in Tallahassee is a dirty word.

Idaho Falls, Idaho:

I've lived in this area almost 12 years. I have tried over the years, but have not found TRICARE Standard providers for the types of medical services we need (general practitioner, gynecology, dermatology). I have looked over the years, but the few providers who accept TRICARE Standard are not MD's or are very specialized. I feel fortunate we haven't had serious medical needs. My experience is that TRICARE is not only not accepted but I am required to pay upfront - an unstated concern, in my opinion, that the physicians are worried about getting their money. In addition, some have signs right by the office window "CHAMPUS/TRICARE not accepted". It's discouraging and somewhat degrading.

Fredericksburg, Virginia:

There AREN'T any! The shortage is TOTAL. All the local clinics and physicians have opted out of TRICARE. My wife and I use the HMO offered by my company. Quantico clinic is understaffed and appointments are very difficult to get. Urgent care must be done at the local hospital ER as there is no military clinic in the area that takes urgent care patients. The nearest military hospital is DeWitt Army at Ft. Belvoir. My wife and I are raising our two small grandchildren, who are military dependents. We don't even bother trying to get the kids into the clinic at Quantico. It is a total waste of time! We take the little ones to a private pediatrician in town. We pay cash and the doctor takes a big discount since she doesn't have to deal with insurance at all. In reality, she makes more money than if she accepted TRICARE though, which is a sad commentary.

This MOAA study and anecdotes reflect the life stories of uniformed service members' frustration as they seek access to care.

Distinction between TRICARE Prime and Standard. The Coalition believes that a further distinction must be made between TRICARE Standard and Prime in evaluation of the TRICARE program. Our members report increased problems and dissatisfaction with the Standard benefit that far exceed complaints about Prime. There certainly are success stories to be told about the Prime benefit, but glowing reports from TMA on the Prime benefit in documents such as the TRICARE Stakeholder's Report obscure the very real and chronic problems with the Standard benefit.

The Coalition thanks the Subcommittee for their efforts in Sec. 712 of the FY 2003 NDAA (P.L. 107-314) to require a Comptroller General Report evaluating TRICARE network provider instability, along with the effectiveness of the MCSCs' efforts to measure and alleviate the issue. But here again, we are concerned that the report may focus on Prime networks, when the real problem concerns access for over 3.2 million beneficiaries to TRICARE Standard providers. We are hopeful that this report will delve into the unique problems associated with the latter issue.

The Military Coalition urges the Subcommittee to focus its primary energies on revitalizing the TRICARE Standard program. To this end, the Coalition recommends requiring that any reports from the Department of Defense, the Comptroller General or other sources specify separate assessments of TRICARE Prime and TRICARE Standard statistics, problems, policies, procedures, and impacts on beneficiaries.

Provider Reimbursement The Coalition is greatly troubled that because of a flaw in the provider reimbursement formula, the Centers for Medicare and Medicaid (CMS) have cut Medicare fees 5.4% over the past two years. Changes to the Medicare fee schedule directly affect uniformed services beneficiaries. Since 1991 by statute (10 U.S.C. 1079(h)), DoD is required to establish TRICARE Maximum Allowable Charges (TMAC) based on Medicare's fee schedule. Cuts in Medicare provider payments, on top of providers' increasing overhead costs and rapidly rising medical liability expenses, seriously jeopardizes providers' willingness to participate in government programs like TRICARE and Medicare. Provider resistance is much more pronounced for TRICARE than Medicare for a variety of social, workload, and administrative reasons. Provider groups tell us that TRICARE is the lowest-paying program they deal with, and often poses them the most administrative problems. This is a terrible combination of perceptions if you are a TRICARE Standard patient trying to find a doctor.

The Coalition is seriously concerned that the war on terrorism and the war in Southwest Asia are straining the capacity of the military's direct health care system, as large numbers of medical corps members are deployed overseas. As a result of this increased activation, more and more TRICARE patients will have to turn to the civilian sector for care – thus putting more pressure on civilian providers who already have absorbed significant fee cuts for providing care to TRICARE beneficiaries.

The Coalition firmly believes that our deployed service men and women need to focus on their mission, without having to worry whether their family members back home can find a provider. Uniformed services beneficiaries, their family members and survivors deserve the nation's best health care, not the cheapest.

We are grateful that the 108th Congress took action to pass legislation P.L. 108-7 (H.J. Res 2) to increase Medicare and TRICARE payment rates. Congress did the right thing by reversing the erroneous 4.4 % provider payment cut due to be implemented March 1, 2003, providing a 1.6 % payment increase and giving the Centers for Medicare and Medicaid (CMS) the authority to fix the flawed Medicare reimbursement formula. The Coalition is aware that jurisdiction over the Medicare program is not within the authority of the Armed Services Committees, but believes it has a particular interest in raising Medicare rates because of the adverse impact of depressed rates on all TRICARE beneficiaries, not just Medicare-eligibles.

The Military Coalition requests the Subcommittee's support of any means to raise Medicare rates to more reasonable standards and to support measures to address Medicare Part B's flawed reimbursement formula.

In order to achieve parity and encourage participation, both Medicare and DoD have the ability to institute locality-based rates to account for geographical variation in practice costs as necessary to secure sufficient providers to meet beneficiary needs. DoD has had statutory authority (10 U.S.C. 1097 (b)) to raise rates for network providers up to 115 % of TMAC in areas where adequate access to health care services is severely impaired.

To date, the Secretary of Defense has resisted using his existing authority to increase participation by raising reimbursement levels. The Coalition is eager to see the evaluation of the use of this authority in the Comptroller General Report mandated in Sec. 712 of the FY

2003 NDAA (P.L. 107-314). But here again, the focus on Prime networks can obscure the larger problems with Standard providers.

The Coalition believes that raising TRICARE payment rates to competitive levels with other insurance is essential to solving the TRICARE Standard access problem. We appreciate the cost implications of doing this, and understand the preference in both the Executive and Legislative Branches to focus on administrative issues rather than payment levels. But providers indicate overwhelmingly that it is a money issue. They may be willing to accept low payments from Medicare out of a sense of obligation to the elderly and the volume of elderly patients, and because Medicare has a reasonably reliable electronic payment system. They are not so willing to accept low TRICARE payments.

The Coalition supports past and current efforts to improve TRICARE administrative issues, and believes headway is being made. But providers know, as we do, that these problems have persisted for decades, and they are skeptical about the likelihood of significant change in the near term. Meanwhile, TRICARE beneficiaries need access to doctors, and they should not have to wait years in hopes of getting it.

Other insurance programs pay providers rates that are significantly higher than TRICARE Standard's. The Coalition is very doubtful that access problems can be addressed successfully without raising rates. We believe the only way to assess the merits is to institute a pilot project to test if raising TRICARE Standard payment rates improves access for beneficiaries.

The Military Coalition most strongly urges the Subcommittee to institute a pilot project at several locations of varying characteristics to test the extent to which raising TRICARE Standard rates increases the number of providers who are willing to accept new Standard patients.

Medicare has recognized that in order to ensure continued access for its beneficiaries, it must supplement its basic reimbursement rates in a variety of specific areas. This summer, DoD will make an additional step toward the same understanding with a commitment to pay a 10 % quarterly bonus to both Standard and network providers in Health Professional Shortage Areas (HPSA's).

The Coalition is pleased that DoD plans to make these bonus payments that parallel Medicare's HPSA program. By adapting this plan, DoD makes the same commitment to access for TRICARE beneficiaries, as does Medicare. TRICARE's medically underserved areas will be the same as those determined by the Secretary of Health and Human Services for the Medicare program.

The Coalition urges the Subcommittee to further align TRICARE with the Medicare program by authorizing increased payments to hospitals in areas, which serve a disproportionately large number of TRICARE beneficiaries, thus mirroring Medicare's Disproportionate Share (DSH) payment adjustment. Since TRICARE rates are based upon Medicare, it makes sense that TRICARE follow this supplemental payment concept of Medicare, as it is every bit as important that DoD safeguard access to care for uniformed services beneficiaries as does Medicare.

The Military Coalition urges the Subcommittee to further align TRICARE with Medicare by adapting the Medicare Disproportionate Share payment adjustment to compensate hospitals for the care of TRICARE beneficiaries.

Network and Standard Provider Availability. Large numbers of beneficiaries continue to report increased difficulty locating providers who will accept new TRICARE patients, even though the Department of Defense indicates that the number of TRICARE providers is at near an all-time high.

Clearly, there is a problem with how provider participation is measured and monitored. The current participation metric is calculated as the percentage claims filed on an assigned basis. Nowhere does DoD or its support contractors ask or track whether participating or authorized providers are accepting new patients.

Since participation is fluid, providers are permitted to accept or refuse TRICARE patients on a day-by-day basis; therefore, beneficiaries often must make multiple inquiries to locate a provider who is taking patients on that day.

Allegedly, current TRICARE contracts require MCSCs to help Standard patients find providers, but this is not the actual practice. Further, there is no such requirement in the new TNEX contracts. MCSCs are under no obligation to recruit Standard providers or provide up to date lists of Standard providers, leaving beneficiaries on their own to determine if a provider is willing to accept Standard patients. We urge the subcommittee to authorize a program to increase Standard provider recruitment by educating civilian providers about the TRICARE Standard benefit. We believe this issue is too critical to depend upon the "chance" that the civilian contractors will voluntarily elect to provide this service as a "valued added product" in all regions.

As one beneficiary said, "The TRICARE Standard provider handbook list is now the Yellow Pages, and Standard beneficiaries are forced to call provider after provider asking, 'Do you take TRICARE patients?'" Another beneficiary reported, after calling every provider in the area without success, "It's as if doctors are hanging up signs that say 'Dogs and servicemembers not allowed.'"

Simply stated, Standard beneficiaries are neglected. No effort is made to reach out to them, to provide education about the extent of the Standard benefit, to directly communicate benefits information, or provide support to locate a provider. The Coalition adamantly believes DoD has an obligation to develop an education and communication program for Standard beneficiaries. DoD should direct MCSCs to assist Standard beneficiaries as well as Prime beneficiaries. Options should include providing interactive on-line lists of Standard providers, with indications of which ones are currently accepting new Standard patients. When a beneficiary cannot find a provider, the MCSC should help them do so.

The Military Coalition urges the Subcommittee to require DoD to communicate benefits information directly to Standard beneficiaries, develop a Standard beneficiary education program, assist Standard beneficiaries in finding providers who will accept new TRICARE Standard patients, including interactive on-line lists and other means of communication and to authorize a program to enhance TRICARE Standard provider recruitment

FEHBP Option. The Coalition is the first to acknowledge the ongoing interest and effort being invested in improving TRICARE. But the Coalition is also frustrated that many of TRICARE's difficulties are chronic ones with which TRICARE beneficiaries have been struggling with for many years. If past experience is any indicator, solving the TRICARE provider access problem is years away from reality. In the meantime, military beneficiaries need an additional option for access to health coverage that larger numbers of providers will accept in all areas of the country.

One "off the shelf" option that is available immediately, with legislative authority, is to allow uniformed services beneficiaries the option of enrolling in the same Federal Employees Health Benefits Program the government already provides for federal civilian employees and retirees. FEHBP requires a substantial premium payment, so we do not expect military beneficiary participation would be widespread. But an FEHBP option would provide one way for beneficiaries to improve their access to health care immediately, particularly in areas (e.g., Idaho and certain areas of Colorado) where there are virtually no providers accepting new TRICARE patients.

Uniformed services beneficiaries who now have limited access to participating providers should not have to wait years for necessary TRICARE improvements. Authorizing an FEHBP option is one important way to provide them immediate access.

The Subcommittee previously authorized a test demonstration for Medicare-eligible beneficiaries, who now are served by TRICARE For Life. Now, the FEHBP option deserves consideration to meet the needs of younger beneficiaries who are having difficulty using their TRICARE coverage.

The Military Coalition urges the Subcommittee to authorize a demonstration program to test interest, feasibility, and cost-effectiveness of providing uniformed services beneficiaries, family members, retirees and survivors under the age of 65 an option to enroll in FEHBP on the same basis as their federal civilian counterparts.

Administrative Burdens. Despite many initiatives to improve the program, we continue to hear complaints from providers of low and slow payments, as well as burdensome administrative requirements and hassles. Only by decreasing the administrative burden placed on providers and building a simplified and reliable claims system that pays in a timely way can Congress and DoD hope to establish TRICARE as an attractive program to providers and a dependable benefit for beneficiaries.

Once providers have left the TRICARE system, promises of increased efficiencies have done little to encourage them to return. Lessons learned from TFL implementation demonstrate the effectiveness of using one-stop electronic claims processing to make automatic TRICARE payments to any Medicare-participating provider.

The Coalition is grateful to the Subcommittee for its actions in the FY 2003 NDAA designating Medicare providers as TRICARE authorized providers and requiring DoD to adopt claims requirements that mirror Medicare's, effective with TNEX. TFL dramatically improved access to care for Medicare-eligibles by relying on existing Medicare policies to streamline administrative procedures and claims processing, make the system simple for providers, and pay claims on time.

The Coalition remains concerned with the caveat under Sec. 711 of the FY2003 NDAA that claim information is limited to that required for Medicare claims "except for data that is unique to the TRICARE program." We believe that the proposed requirements are still more complex than that of private sector practices. We do not know how this extraneous information contributes to effective claims processing, but we do know that the private sector adjudicates claims more cost effectively and efficiently without such additional requirements. We also know that the more requirements the TRICARE claims system imposes on providers, the less willing they are to put up with it.

The claims system should be designed to accommodate providers and beneficiaries' needs rather than compelling them to jump through additional administrative hoops for TRICARE's convenience. The Coalition is hopeful that the Comptroller General report on obstacles in claims processing will address this issue.

The Military Coalition urges the Subcommittee to continue its efforts to make the TRICARE claims system mirror Medicare's, without extraneous requirements that deter providers and inconvenience beneficiaries.

Prior Authorization. While the TNEX request for proposals purportedly removes the requirement for preauthorization for Prime beneficiaries referred to specialty care, the TRICARE Policy Manual 6010.54-M August 1, 2002, Chapter 1, Section 7.1, and I, G belies that, stating:

"Each TRICARE Regional Managed Care Support (MCS) contractor may require additional care authorizations not identified in this section. Such authorization requirements may differ between regions. Beneficiaries and providers are responsible for contacting their contractor's Health Care Finder for a listing of additional regional authorization requirements."

The Coalition believes strongly that this regulation undermines the long-standing effort of this Subcommittee to simplify the system and remove burdens from providers and beneficiaries. It is contrary to current private sector business practices, the commitment to decrease provider administrative burdens, and the provision of a uniform benefit. DoD has told the Coalition that they do not believe the civilian contractors will impose such limitations in their proposals, as it does not make good business sense. If so, why allow them that authority? The Coalition does not believe the provision of a uniform benefit should be left to the whims of the contractors. The Coalition believes it is the intent of Congress that uniformed services beneficiaries have earned and deserve a uniform benefit.

The Military Coalition urges the Subcommittee's continued efforts to narrow and ultimately eliminate requirements for pre-authorization.

TRICARE Prime (Remote) Improvements. The Coalition is grateful for the FY 2003 NDAA provision (Sec. 702) that addresses continued TRICARE eligibility of dependents residing at remote locations when their sponsor's follow on orders are an unaccompanied assignment.

This provision allows these families to retain the TRICARE Prime Remote benefit (TPR) and will go a long way to provide support for families remotely assigned who face a period of time living without their sponsor. The Coalition requests the Subcommittee to make an additional consideration to enhance this provision. As written, TPR benefits are authorized only if the

dependents remain at the former duty site. In such circumstances, there can be many good reasons why the family may wish to relocate to another area while awaiting the end of the sponsor's unaccompanied tour. Many dependents wish to relocate to be with their families during this time or to another area where they can best wait for the servicemember to return. In those cases where the government is willing to pay for the family's relocation for this purpose, it seems inappropriate to force the family out of the Prime Remote program if TRICARE Prime is not available at the location where the family will reside.

The Military Coalition requests that the Subcommittee authorize TRICARE Prime Remote beneficiary family members to retain their eligibility when moving to another remote area when such move is funded by the government and there is no reasonable expectation that the service member will return to the former duty station.

The great strides made in recent years to improve benefits for Medicare-eligibles and active duty families stand in contrast to the continued shortcomings of the TRICARE system for retirees under 65. Many of these beneficiaries live in areas not serviced by Prime, thus relying on the more expensive and cumbersome Standard benefit. Many, especially those who live in rural or metropolitan areas that are medically underserved, have great difficulty in locating TRICARE Standard providers. This presents a dilemma for members who have no choice but to rely on providers who can charge higher prices and demand their fees "up front" at the time of service. Obviously, this places an undue financial burden upon these deserving beneficiaries.

In the light of the enhancements recently provided to the over 65 retirees (TFL) and active duty beneficiaries, extra steps are needed to provide a more consistent benefit to the under-65 retirees whose needs are not currently being met by TRICARE Standard.

The Military Coalition recommends that Subcommittee authorize extension of TRICARE Prime Remote coverage to retirees and their family members and survivors at the same locations where it is established for active duty families.

Healthcare for Members of the National Guard and Reserve. Sec. 702 of the FY 2003 NDAA authorized further Prime eligibility for certain dependents of Reserve Component Members residing in remote areas whose sponsors are ordered to extended active duty of at least 30 days. The Coalition is pleased that DoD recently announced its intent to implement Sec 702, as well as to extend the Prime benefit to Reserve Component dependents who reside within Military Treatment Facility (MTF) catchment areas.

The Coalition is most appreciative that TRICARE Prime and TRICARE Prime Remote (TPR) benefits will now be standardized for ALL Reserve Component families when the sponsor is called to active duty for 30 days, regardless of whether the family resides in a MTF catchment area or not. The Coalition is also pleased that DoD has waived for Reserve Component beneficiaries the TPR requirement that family members reside with their sponsor in an area outside of MTF catchment areas.

Health insurance coverage has an impact on Guard - Reserve (G-R) medical readiness and family morale. Progress has been made during transitional periods after call-ups, but more needs to be done to provide continuity of care coverage for reserve component members prior to activation.

Health insurance coverage varies widely for members of the G-R: some have coverage through

private employers, others through the Federal government, and still others have no coverage. Reserve families with employer-based health insurance must, in some cases, pick up the full cost of premiums during an extended activation. Although TRICARE eligibility starts at 30 days activation, many G-R families would prefer continued access to their own health insurance rather than being forced to find a new provider who accepts TRICARE. In other cases, disruption (and in some cases cancellation) of private sector coverage as a consequence of extended activation under TRICARE adversely affects family morale and military readiness and discourages some from reenlisting.

In 2001, DoD recognized this problem and announced a policy change under which DoD would pay the premiums for the Federal Employee Health Benefit Program (FEHBP) for DoD reservist-employees activated for extended periods. However, this new benefit only affects about 10% of the Selected Reserve. The Coalition believes this philosophy could be extended to pay health insurance premiums for activated G-R members who are not federal civilian employees.

As a matter of morale, equity, and personnel readiness, the Coalition believes more needs to be done to assist reservists who are being called up more frequently in support of national security missions. They deserve options that provide their families continuity of care, without having to find a new doctor or navigate a new system each time the member is activated or deactivated.

The Military Coalition urges making the TRICARE medical program available for members of the National Guard and Reserve Component and their families prior to activation on a cost-sharing basis in order to ensure medical readiness and provide continuity of coverage to members of the Selected Reserve. In addition, to further ensure continuity of coverage for family members, the Coalition urges allowing activated Guard/Reserve members the option of having the Department of Defense pay their civilian insurance premiums during periods of activation

Coordination of Benefits and the 115% Billing Limit Under TRICARE Standard. In 1995, DoD unilaterally and arbitrarily changed its policy on the 115% billing limit in cases of third party insurance. The new policy shifted from a "coordination of benefits" methodology (the standard for TFL, FEHBP and other quality health insurance programs in the private sector) to a "benefits-less-benefits" approach, which unfairly transferred significant costs to servicemembers, their families, and survivors.

Although providers may charge any amount for a particular service, TRICARE only recognizes amounts up to 115% of the TRICARE "allowable charge" for a given procedure. Under DoD's previous, pre-1995 policy, any third party insurer would pay first, and then TRICARE (formerly CHAMPUS) would pay any remaining balance up to what it would have paid as first payer if there were no other insurance (75% of the allowable charge for retirees; 80% for active duty dependents).

Under its post-1995 policy, TRICARE will not pay any reimbursement at all if the beneficiary's other health insurance (OHI) pays an amount equal to or higher than the 115% billing limit. (Example: a physician bills \$500 for a procedure with a TRICARE-allowable charge of \$300, and the OHI pays \$400. Previously, TRICARE would have paid the additional \$100 because that is less than the \$300 TRICARE would have paid if there were no other insurance. Under DoD's new rules, TRICARE pays nothing, since the other insurance paid more than 115% of the

TRICARE-allowable charge.) In many cases, the beneficiary is stuck with the additional \$100 in out-of-pocket costs.

DoD's shift in policy unfairly penalizes beneficiaries with other health insurance plans by making them pay out of pocket for what TRICARE previously covered. In other words, beneficiaries entitled to TRICARE may forfeit their entire TRICARE benefit because of private sector employment or some other factor that provides them private health insurance. In practice, despite statutory intent, these individuals have no TRICARE benefit.

DoD and Congress acknowledged the appropriateness of the "coordination of benefits" approach in implementing TRICARE For Life and for calculating pharmacy benefits. TFL pays whatever charges are left after Medicare pays, up to what TRICARE would have paid as first payer. The Coalition believes this should apply when TRICARE is second-payer to any other insurance, not just when it is second-payer to Medicare.

The Military Coalition strongly recommends that the Subcommittee direct DoD to eliminate the 115% billing limit when TRICARE Standard is second payer to other health insurance and to reinstate the "coordination of benefits" methodology.

Nonavailability Statements under TRICARE Standard. The Coalition is grateful for the provision in the FY 2002 NDAA that waives the requirement for a beneficiary to obtain a Nonavailability Statement (NAS) or preauthorization from an MTF in order to receive treatment from a civilian provider and appreciates that the time line for implementation of this provision has been moved up from the FY 2001 NDAA plan. However, except for maternity care, the law allows DoD broad waiver authority that diminishes the practical effects of the intended relief from NAS. These loopholes provide a great deal of leeway for the reinstatement of NAS at the Secretary's discretion. NAS's can be required if:

- The Secretary demonstrates that significant costs would be avoided by performing specific procedures at MTFs;
- The Secretary determines that a specific procedure must be provided at the affected MTF to ensure the proficiency levels of the practitioners at the facility; or
- The lack of an NAS would significantly interfere with TRICARE contract administration.

The Coalition is disappointed that except for maternity care, the waiver of the TRICARE Standard NAS requirement seems to be a "road paved with good intentions," but little more.

The rationale for a complete waiver of NAS requirements remains compelling. By choosing to remain in Standard, beneficiaries are voluntarily accepting higher copayments and deductibles in return for the freedom to choose their own providers. The Coalition appreciates that the intent of the NAS system, when CHAMPUS was an evolving program, was to maximize the use of MTFs. However, when TRICARE was created, it offered beneficiaries a choice in how to exercise their health care benefit.

The Coalition is pleased to note that the TRICARE Reserve Family Demonstration Project (TRFDP) provides for increased access to health care for family members of activated reservists and guardsmen -- including a total waiver of NAS requirement for ALL inpatient services. While this group of beneficiaries is most worthy of a robust health care benefit and deserves to maintain established relationships with their health care providers, the Coalition believes this benefit should be extended to all uniformed services beneficiaries -- active duty and retired -- as well.

DoD must honor the decision made by beneficiaries and not insist that they "jump through administrative hoops" to exercise this choice, particularly since most care in MTFs and clinics is being given on a first priority basis to Prime enrollees anyway. More importantly, this capricious policy frequently denies TRICARE Standard beneficiaries, who have chosen the more expensive fee-for-service option, one of the most important principles of quality health care: continuity of care by a provider of their choice.

The Military Coalition strongly recommends that all requirements for Nonavailability Statements be removed from the TRICARE Standard option and that all waivers be eliminated, effective upon enactment. Should the Subcommittee deem this impractical at this time, the Coalition urges the Subcommittee to build on the maternity care precedent by incrementally eliminating NAS authority for additional kinds of care.

TNEX – TRICARE Next Generation of Contracts. This year, DoD will award the next round of managed care support contracts. The Coalition agrees that this is a critically important step, both for the Department and for beneficiaries. We acknowledge the complexity of this process, are committed to working with Congress and DoD to make implementation as effective as possible, and will be vigilant that the current level of service is not compromised. As these contracts are implemented, a seamless transition and accountability for progress are the Coalition's primary concerns.

The Coalition is anxious that massive system changes are being implemented at a time of great stress for uniformed services beneficiaries, especially active duty members and their families. Transitions to new contractors, even when the contract design has not dramatically changed, has historically been tumultuous to all stakeholders, and especially to beneficiaries. The Coalition believes systems must be put in place that will make the transition to new contracts as seamless as possible to the beneficiary.

One concern with awarding different contract functions to a variety of vendors is that beneficiaries should not be caught in the middle as they attempt to negotiate their way between the boundaries of the various vendors' responsibilities. DoD must find ways to ensure beneficiaries have a single source of help to resolve problems involving the interface of multiple vendors.

The Military Coalition recommends that the Subcommittee strictly monitor implementation of the next generation of TRICARE contracts and ensure that Beneficiary Advisory Groups' inputs are sought in the implementation process.

Health Care Information Lines (HCIL): The Coalition is concerned that the TNEX request for proposals does not contain any requirement for Health Care Information Lines (HCIL). The Coalition believes this is a grave mistake, works against the interests of the beneficiaries, and interferes with cost-effective management of the TRICARE program. Over 100 million civilian health plan beneficiaries nation-wide have access to telephonic nurse advice services. HCIL services offered under existing TRICARE contracts play a critical role in the health care process for military beneficiaries. This information service is even more valuable when combined with a triage service that not only suggests a proper plan for care (self care at home, acute care or routine appointment with provider, or emergency room visit), but also schedules an appointment if necessary.

The Coalition has seen data that demonstrates that military members and their spouses use HCIL services at twice the rate of the civilian population. No matter where the individual or family is stationed, a HCIL program can provide a convenient point of access to safe, trustworthy decision support and health information.

HCILs can provide peace of mind to spouses who may have to make decisions without the support of their partner. These informed decisions can lead to appropriate use of MTF and purchased health care resources, improving clinical and financial outcomes. HCIL services provide access to nurses 24 hours a day, seven days a week, including times when good care is not always easily accessible. As a result, children and adults who otherwise may not have received timely care, have at times, been assessed, and directed to what turned out to be life-saving care.

The Coalition believes that nurse triage programs are a win-win proposition as they have the potential to help control costs by directing patients to the appropriate level of care, thus improving access to care and MTF appointments for those who need them.

The Coalition fears that the omission of HCILs from TNEX will result a patchwork of HCIL programs implemented locally at the MTF level, if Commanders choose to do so. The Coalition firmly believes that the popularity of the current regional HCIL services and the single HCIL contract for all OCONUS locations indicate the need for continued availability of a consistent level of HCIL services for all beneficiaries under the new contracts. Therefore, the Coalition urges the Subcommittee to direct DoD to modify the TNEX contracts to make HCIL access universal for all beneficiaries.

The Military Coalition urges the Subcommittee to direct DoD to modify the TNEX contract to make HCIL access universal for all beneficiaries and to develop a plan to provide for uniform administration of HCIL services nation-wide.

Uniform Formulary Implementation. The Coalition is committed to work with DoD and Congress to develop and maintain a comprehensive uniform pharmacy benefit for all beneficiaries mandated by Section 701 of the FY 2000 NDAA. We will particularly monitor the activities of the Pharmacy and Therapeutics Committee. The Coalition expects DoD to establish a robust formulary with a broad variety of medications in each therapeutic class that fairly and fully captures the entire spectrum of pharmaceutical needs of the millions of uniformed services beneficiaries.

The Coalition is grateful to this Subcommittee for the role it played in mandating a Beneficiary Advisory Panel to comment on the formulary. Several Coalition representatives are members of the Beneficiary Advisory Panel and are eager to provide input to the program. While we are aware that there will be limitations to access of some medications, our efforts will be directed to ensuring that the formulary is as broad as possible, that prior authorization requirements for obtaining non-formulary drugs and procedures for appealing decisions are communicated clearly to beneficiaries; and administered equitably.

The Coalition is particularly concerned that procedures for documenting and approving "medical necessity" determinations by a patient's physician must be streamlined, without posing unnecessary administrative hassles for providers, patients, and pharmacists. The Coalition

believes the proposed copayment increase from \$9 to \$22 for non-formulary drugs is too steep and presents an undue financial burden upon all classes of beneficiaries. Beneficiaries' trust will be violated if the formulary is excessively limited, fees rise excessively, and/or the administrative requirements to document medical necessity are overly restrictive.

DoD must do a better job of informing beneficiaries about the scope of the benefit and it works (to include prior authorization requirements, generic substitution policy, limitations on number of medications dispensed, and a listing of the formulary). The Coalition is pleased to note that the department has improved its beneficiary education via the TRICARE website. However, we remain concerned that many beneficiaries do not have access to the Internet, and this information is not available through any other written source. As DoD approaches the uniform formulary implementation, it will be critical to make this information readily available to beneficiaries and providers.

The Military Coalition urges the Subcommittee to ensure a robust uniform formulary is developed with reasonable medical-necessity rules along with increased communication to beneficiaries about program benefits, pre-authorization requirements, appeals, and other key information.

Fully Implement Portability and Reciprocity. Section 735 of the FY 2001 NDAA required DoD to develop a plan, due March 15, 2001, for improved portability and reciprocity of benefits for all enrollees under the TRICARE program throughout all regions. DoD has issued a memorandum stating that DoD policy requires full portability and reciprocity. Despite the efforts of this Subcommittee, enrollees still experience a disruption in enrollment when they move between regions and are still not able to receive services from another TRICARE Region without multiple phone calls and much aggravation.

The lack of reciprocity presents particular difficulties for TRICARE beneficiaries living in "border" areas where two TRICARE regions intersect. In some of the more rural areas, the closest provider may actually be located in another TRICARE region, and yet due to the lack of reciprocity, these beneficiaries cannot use these providers without great difficulty. This problem suffers especially by comparison with TFL, as TFL beneficiaries have full portability and reciprocity of their benefits. Meanwhile, active duty and under-65 retired beneficiaries remain tied to the region where they reside.

It is unfathomable that, despite years of focus on the need for portability and reciprocity, and the obvious disruptions and financial problems imposed on beneficiaries in the interim, this same problem persists year after year. Something is seriously wrong when our government requires nationwide mobility of military families, but has such little sense of urgency about making sure their health benefits can follow them.

The Military Coalition strongly urges the Subcommittee to direct DoD to expend the resources it needs to facilitate immediate implementation of portability and reciprocity to minimize the disruption in TRICARE services for beneficiaries.

TRICARE Benefits for Remarried widows. The Coalition believes there is an inequity in TRICARE's treatment of remarried surviving spouses whose second or subsequent marriage ends in death or divorce.

Such survivors have their military identification cards reinstated, as well as commissary and exchange privileges. In addition, they have any applicable Survivor Benefit Plan annuity reinstated if such payment was terminated upon their remarriage. In short, all of their military benefits are restored – except health care coverage.

This disparity in the treatment of military widows was further highlighted by enactment of the Veterans Benefits Act of 2002, which reinstates certain benefits for survivors of veterans who died of service-connected causes. Previously, these survivors lost their VA annuities and VA health care (CHAMPVA) when they remarried, but the Veterans Benefits Act of 2002 restored the annuity – and CHAMPVA eligibility – if the remarriage ends in death or divorce.

The Military Coalition urges the Subcommittee to restore equity for military widows by reinstating TRICARE benefits for otherwise qualifying remarried widows whose second or subsequent marriage ends in death or divorce.

Deduct TRICARE Prime enrollment fees from retiree pay. Years ago, Congress gave DoD the authority to deduct TRICARE Prime enrollment fees from retired members' pay. However, the Department has not moved forward to make this service available to retirees.

Many retirees and their families have paid significant penalties because of DoD's delay in implementing this authority, because of MCSC enrollment and billing errors, primarily in TRICARE Region 1. Because the contractor failed to send bills to Prime enrollees, many enrollees did not realize their payments were due until the contractor notified them that their families had been disenrolled from Prime.

If DoD had used its authority and permitted retirees to pay for Prime through their pay, it could have saved thousands of beneficiaries from the hassles encountered when they were disenrolled from Prime because the Region 1 contractor failed to develop an adequate billing control system. It also would have saved the government thousands of the dollars that it took to address this problem.

Health care is too important to military families to allow it to be disrupted by DoD's failure to implement a routine pay deduction that will save time, money, and administrative problems for the beneficiaries, the government, and the managed care contractors.

The Military Coalition urges the Subcommittee to require DoD to implement existing authority to deduct TRICARE Prime enrollment fees from enrollees' retired pay.

Codify Requirement to Continue TRICARE Prime in BRAC areas. In addition to our concerns about current benefits, the Coalition is apprehensive about continuity of future benefits as Congress and DoD begin to consider another round of base closures.

Many beneficiaries deliberately retire in localities in close proximity to military bases, specifically to have access to military health care and other facilities. Base closures run significant risks of disrupting TRICARE Prime contracts that retirees depend on to meet their health care needs.

Currently, under current TRICARE Managed Care Support Contracts and under DoD's interpretation of TNEC, TRICARE contractors are required to provide the Prime benefit in Base Realignment and Closure (BRAC) areas. However, these contracts can be renegotiated, and the contracting parties may not always agree on the desirability of maintaining this provision.

The Coalition believes continuity of the TRICARE Prime program in base closure areas is important to keeping health care commitments to retirees, their families and survivors, and would prefer to see the current contract provision codified in law.

The Military Coalition urges the Subcommittee to amend Title 10 to require continuation of TRICARE Prime network coverage for all uniformed services beneficiaries residing in BRAC areas.

TRICARE Retiree Dental Plan. The Coalition is grateful for the Subcommittee's leadership role in authorizing the TRICARE Retiree Dental Plan (TRDP). While the program is clearly successful, participation could be greatly enhanced with two adjustments.

Unlike the TRICARE Active Duty Dental Plan, there is no government subsidy for retiree dental premiums. This is a significant dissatisfier for retired beneficiaries, as the program is fairly expensive with relatively limited coverage. The Coalition believes dental care is integral to a beneficiary's overall health status. Dental disease left untreated can lead to more serious health consequences and should not be excluded from a comprehensive medical care program. As we move toward making the health care benefit uniform, this important feature should be made more consistent across all categories of beneficiaries.

Another problem with the TRDP is that it is only available within the continental United States (CONUS). The Coalition requests that the Subcommittee extend the TRDP to uniformed services beneficiaries residing overseas.

The Military Coalition urges the Subcommittee to consider providing a subsidy for retiree dental benefits and extending eligibility for the retiree dental plan to retired beneficiaries who reside overseas.

Commonwealth of Puerto Rico CONUS Designation. The Commonwealth of Puerto Rico is included in the TRICARE Overseas Program, which means TRICARE Prime is available only to active duty servicemembers and their families. Retirees living in Puerto Rico are excluded from this benefit. Under OCONUS regulations, the more expensive TRICARE Standard is the only available option for retired military personnel, their families, and survivors. DoD has very limited direct care facilities, a limited benefit structure, and a severely limited contract provider network to serve this growing population.

We are pleased to note that the Department has finally instituted TRICARE network pharmacies for all beneficiaries in Puerto Rico, but believe these beneficiaries are deserving of the option of enrollment in the Prime benefit.

In light of the large number of retired beneficiaries residing in Puerto Rico and the importance of the Commonwealth as a source for recruitment and an initiative for retention, the Coalition believes it would be productive for all concerned to extend the Prime benefit to retired beneficiaries who reside there.

The Military Coalition urges the Subcommittee to support administrative inclusion of the Commonwealth of Puerto Rico with the CONUS for TRICARE purposes, so that retired beneficiaries in Puerto Rico may be eligible to enroll in TRICARE Prime.

Tax Relief for Uniformed Services Beneficiaries. To meet their health care requirements, many uniformed services beneficiaries pay premiums for a variety of health insurance, such as TRICARE supplements, the active duty dental plan or TRICARE Retiree Dental Plan (TRDP), long-term care insurance, or TRICARE Prime enrollment fees. For most beneficiaries, these premiums and enrollment fees are not tax-deductible because their health care expenses do not exceed 7.5 % of their adjusted gross taxable income, as required by the IRS.

This creates a significant inequity with private sector and some government workers, many of whom already enjoy tax exemptions for health and dental premiums through employer-sponsored health benefits plans. A precedent for this benefit was set for other Federal employees by a 2000 Presidential directive allowing federal civilian employees to pay premiums for their Federal Employees Health Benefits Program (FEHBP) coverage with pre-tax dollars.

The Coalition supports HR 2131 that would amend the tax law to let Federal civilian retirees and active duty and retired military members pay health insurance premiums on a pre-tax basis. Although we recognize that this is not within the purview of the Armed Services Committee, the Coalition hopes that the Subcommittee will lend its support to this legislation and help ensure equal treatment for all military and federal beneficiaries.

The Military Coalition urges the Subcommittee to support HR 1231 to provide active duty and uniformed services beneficiaries a tax exemption for premiums paid for TRICARE Prime enrollment fees, TRICARE Standard supplements, and FEHBP premiums.

Custodial Care. Once again, the Coalition thanks the Subcommittee for its continued diligence in support of those beneficiaries who fall under the category of "Custodial Care". We are most appreciative of the generous enhancements offered in the FY 2002 NDAA. We anxiously await the publication of DoD's interim report defining the implementing regulations.

It has been over two years since the enactment of these requirements, and we hope that these beneficiaries do not have to wait much longer for this benefit.

The Military Coalition recommends the Subcommittee's continued oversight to assure that medically necessary care will be provided to all custodial care beneficiaries; that Congress direct a study to determine the impact of the new legislation upon all beneficiary classes, and that beneficiary groups' inputs be sought in the development of implementing regulations.

CONCLUSION

The Military Coalition reiterates its profound gratitude for the extraordinary progress this Subcommittee has made in securing a wide range of personnel and health care initiatives for all uniformed services personnel and their families and survivors. The Coalition is eager to work with the Subcommittee in pursuit of these goals outline in our testimony. Thank you very much for the opportunity to present the Coalition's views on these critically important topics.

APPENDIX A

Military Officers Association of America (MOAA)
March 2003 TRICARE Access Survey

Military Officers Association of America (MOAA) March 2003 TRICARE Access Survey

Find Primary Care Provider by State

Count of Find Provider	Find Provider			Grand Total	Percent In State	Percent "No" Within State
State	No	Yes	(blank)			
AK	4	3		7	0.6%	
AL	14	15		29	2.4%	48.3%
AR	9	8		17	1.4%	52.9%
AZ	16	15		31	2.5%	51.6%
CA	23	30		53	4.3%	43.4%
CO	14	15		29	2.4%	48.3%
CT	5	4		9	0.7%	
DE		2		2	0.2%	
FL	46	72		118	9.7%	39.0%
GA	23	24		47	3.8%	48.9%
HI		4		4	0.3%	
IA		4		4	0.3%	
ID	14	6		20	1.6%	70.0%
IL	9	12		21	1.7%	42.9%
IN	9	14		23	1.9%	39.1%
KS	3	2		5	0.4%	
KY	5	9		14	1.1%	35.7%
LA	7	9		16	1.3%	43.8%
MA	2	8		10	0.8%	20.0%
MD	6	12		18	1.5%	33.3%
ME	2	6		8	0.7%	
MI	12	16		28	2.3%	42.9%
MN	6	9		15	1.2%	40.0%
MO	9	9		18	1.5%	50.0%
MS	9	6		15	1.2%	60.0%
MT	3	8		11	0.9%	27.3%
NC	43	34		77	6.3%	55.8%
ND		2		2	0.2%	
NE	2	6		8	0.7%	
NH	3	2		5	0.4%	
NJ	6	9		15	1.2%	40.0%
NM	9	9		18	1.5%	50.0%
NV	5	12		17	1.4%	29.4%
NY	9	15		24	2.0%	37.5%
OH	10	14		24	2.0%	41.7%
OK	10	14		24	2.0%	41.7%
OR	8	20		28	2.3%	28.6%
PA	10	18		28	2.3%	35.7%
PR	1	1		2	0.2%	
RI	2	1		3	0.2%	
SC	10	17		27	2.2%	37.0%
SD	3	2		5	0.4%	
TN	8	15		23	1.9%	34.8%
TX	80	74		154	12.6%	51.9%
UT		11		11	0.9%	0.0%
VA	36	49		85	7.0%	42.4%
VI	1			1	0.1%	
VT	1	1		2	0.2%	
WA	21	17		38	3.1%	55.3%
WI	3	7		10	0.8%	30.0%
WV	4	6		10	0.8%	40.0%
WY	5	3		8	0.7%	
Grand Total	540	681		1,221	100.0%	44.2%
Percent	44.2%	55.8%	0.0%	100.0%		

**Military Officers Association of America (MOAA) March 2003
TRICARE Access Survey**

Find Speciality Care Provider by State

Count of Find Provider2	Find Provider2			Grand Total	Percent in State	Percent "No" Within State
State	No	Yes	(blank)			
AK	2	2		4	0.4%	
AL	15	11		26	2.7%	57.7%
AR	9	6		15	1.6%	60.0%
AZ	10	12		22	2.3%	45.5%
CA	21	23		44	4.6%	47.7%
CO	5	11		16	1.7%	31.3%
CT	3	3		6	0.6%	
DE		1		1	0.1%	
FL	47	55		102	10.8%	46.1%
GA	18	24		42	4.4%	42.9%
HI		1		1	0.1%	
IA	2	2		4	0.4%	
ID	11	6		17	1.8%	64.7%
IL	9	11		20	2.1%	45.0%
IN	9	8		17	1.8%	52.9%
KS	1	4		5	0.5%	
KY	2	9		11	1.2%	18.2%
LA	11	6		17	1.8%	64.7%
MA	2	6		8	0.8%	
MD	6	9		15	1.6%	40.0%
ME	2	4		6	0.6%	
MI	10	7		17	1.8%	58.8%
MN	3	5		8	0.8%	
MO	6	7		13	1.4%	46.2%
MS	8	2		10	1.1%	80.0%
MT	6	4		10	1.1%	60.0%
NC	30	24		54	5.7%	55.6%
ND		1		1	0.1%	
NE	3	2		5	0.5%	
NH	2	2		4	0.4%	
NJ	5	7		12	1.3%	41.7%
NM	6	7		13	1.4%	46.2%
NV	9	5		14	1.5%	64.3%
NY	6	6		12	1.3%	50.0%
OH	7	9		16	1.7%	43.8%
OK	4	13		17	1.8%	23.5%
OR	6	11		17	1.8%	35.3%
PA	13	9		22	2.3%	59.1%
PR	1	1		2	0.2%	
RI	2			2	0.2%	
SC	6	12		18	1.9%	33.3%
SD	5	1		6	0.6%	
TN	9	8		17	1.8%	52.9%
TX	82	49		131	13.8%	62.6%
UT	4	5		9	1.0%	
VA	36	37		73	7.7%	49.3%
VI	1			1	0.1%	
VT		1		1	0.1%	
WA	18	6		24	2.5%	75.0%
WI	2	5		7	0.7%	
WV	5	3		8	0.8%	
WY	3	1		4	0.4%	
Grand Total	483	464		947	100.0%	51.0%
Percent	51.0%	49.0%	0.0%	100.0%		

Military Officers Association of America (MOAA) March 2003 TRICARE Access Survey

3-Digit Zip codes having problems finding primary care providers

Each has sample of 3+ and 75% or more couldn't find provider

3-Digit & State	Location	Find Provider			Grand Total	Percent "No" Within 3-Digit Zip If 10+ Records	Percent "No" Within 3-Digit Zip If 5+ Records	Percent "No" Within 3-Digit Zip If 3+ Records	3-Digit Zips with 3+ Records & >= 75% No
		No	Yes (blank)						
063, CT	Southern CT	3	1		4			75.0%	Y
274, NC	Greensborough, NC	5			5		100.0%	100.0%	Y
281, NC	Charlotte, NC	5	1		6		83.3%	83.3%	Y
286, NC	Hickory, CT	3	1		4			75.0%	Y
326, FL	Gainesville, FL	4	1		5		80.0%	80.0%	Y
349, FL	West Palm Beach, FL	3	1		4			75.0%	Y
395, MS	Gulfport, MS	4	1		5		80.0%	80.0%	Y
495, MI	Grand Rapids, MI	3			3			100.0%	Y
829, WY	Rock Springs, WY	3			3			100.0%	Y
834, ID	Pocatello, ID	7	2		9		77.8%	77.8%	Y
836, ID	Boise, ID	4	1		5		80.0%	80.0%	Y
856, AZ	Tucson, AZ	3			3			100.0%	Y
880, NM	Las Cruces, NM	6	2		8		75.0%	75.0%	Y
958, CA	Sacramento, CA	3	1		4			75.0%	Y
986, WA	Southern WA	3	1		4			75.0%	Y
995, AK	Anchorage	3	1		4			75.0%	Y
Grand Total		540	681		1,221	44.2%	44.2%	44.2%	
Percent		44.2%	55.8%	0.0%	100.0%				

3-Digit Zip codes having problems finding speciality care providers

Each has sample of 3+ and 75% or more couldn't find provider

3-Digit & State	Location	Find Provider			Grand Total	Percent "No" Within 3-Digit Zip If 10+ Records	Percent "No" Within 3-Digit Zip If 5+ Records	Percent "No" Within 3-Digit Zip If 3+ Records	3-Digit Zips with 3+ Records & >= 75% No
		No	Yes (blank)						
063, CT	Southern CT	3	1		4			75.0%	Y
216, MD	Eastern Shore, MD	3	1		4			75.0%	Y
224, VA	Richmond, VA	5	1		6		83.3%	83.3%	Y
274, NC	Greensborough, NC	3			3			100.0%	Y
285, NC	Kinston, NC	3			3			100.0%	Y
287, NC	Asheville, NC	5	1		6		83.3%	83.3%	Y
294, SC	Charleston, SC	3	1		4			75.0%	Y
323, FL	Tallahassee, FL	4	1		5		80.0%	80.0%	Y
342, FL	Fort Myers, FL	4	1		5		80.0%	80.0%	Y
357, AL	Huntsville, AL	3	1		4			75.0%	Y
430, OH	Columbus (North), OH	3	1		4			75.0%	Y
481, MI	Detroit, MI	3			3			100.0%	Y
495, MI	Grand Rapids, MI	3			3			100.0%	Y
597, MT	Butte, MT	3			3			100.0%	Y
681, NE	Omaha, NE	3	1		4			75.0%	Y
720, AR	Little Rock, AR	3			3			100.0%	Y
750, TX	North TX	17	5		22	77.3%	77.3%	77.3%	Y
760, TX	Fort Worth, TX	7	2		9		77.8%	77.8%	Y
765, TX	Waco, TX	4	1		5		80.0%	80.0%	Y
784, TX	Corpus Christi, TX	3	1		4			75.0%	Y
836, ID	Boise, ID	4	1		5		80.0%	80.0%	Y
852, AZ	Phoenix, AZ	4	1		5		80.0%	80.0%	Y
956, CA	Sacramento, CA	3	1		4			75.0%	Y
983, WA	Tacoma, WA	5			5		100.0%	100.0%	Y
Grand Total		483	464		947	51.0%	51.0%	51.0%	
Percent		51.0%	49.0%	0.0%	100.0%				

Appendix A The Military Coalition

[illegible]

Military Officers Association of America (MOAA) March 2003 TRICARE Access Survey

TRICARE Access Survey comments for 3-Digit Zips of 3 or more with 75% or more percent having difficulty finding primary or secondary health care providers.

State & City	Primary Care				Specialty Care				Comment	Primary Care Finding Problem	Specialty Finding Problem
	3-Digit Zip	Provider Found	No of Providers Contacted	Primary Care Type	Pay Up Front	No of Providers Contacted	Pay Up Front	Specialty Type			
N.C. Greensboro	274	No	5+	Yes	Internal/Cards	No	5+	Yes	Other/Multiple	Y	Y
Physicians in the Greensboro NC (a city of approx 225,000) who will accept TRICARE Standard are almost non-existent, and the nearest military facility is more than two hours away. In late 2002 I telephonically solicited TRICARE help in locating TRICARE Standard providers in the area and was told they had no idea where to find them. I was then told that the local TRICARE help center contacted providers, doctors, but all refused. I was then told that the local TRICARE help center was not based in large part on past difficulties of administrative nightmares, poor reimbursement rates, tardy Govt response in dealing with the old CHAMPUS. The very few who do demand 100% upfront payment before services will be rendered. I pretty much feel that TRICARE Standard doesn't work for me except for the mail order pharmacy aspect, and I must seek some other form of medical coverage. Congress has not lived up to what I was promised when I joined the U.S. Air Force in 1964.											
N.C. Greensboro	274	No	5+	Yes	Family/GP	No	3-4	Yes	Other/Multiple	Y	Y
IT SELVES THAT THERE ARE VERY FEW DOCTORS WHO WILL ACCEPT TRICARE. THEY COMPLAIN THAT IT'S TOO HARD GETTING PAID AND IT'S NOT WORTH THE EFFORT.											
N.C. Greensboro	274	No	5+	Yes	Family/GP	No	3-4	Yes	Ortho/Surgery	Y	Y
I can't find any. Since the nearest base (Ft Bragg/Hoke AFB) is about one hour and forty-five minutes (one way) from Greensboro, it's like I have no military health benefits, except for drug prescriptions (which I do appreciate). I still have a dependent and none and also pay full civilian cost for her.											
W. Unknown	495	No	1-2	No	Internal/Cards	No	5+	No	Ortho/Surgery	Y	Y
WAS SO DISAPPOINTED WITH THE TRICARE SYSTEM THAT WE CHANGED OUR INSURANCE COMPANY THIS YEAR. WE WERE ALSO EXTREMELY DISAPPOINTED WITH THE THROA INSURANCE SUPPLEMENT WHICH WE PURCHASED IN AUGUST OF 2002. THE PROGRAM WE PURCHASED CHANGED MID YEAR FROM NO DEDUCTIBLE TO A \$2,000 DEDUCTIBLE PER PERSON AND THEN REFUSED TO PAY MOST OF OUR CLAIMS. WE THOUGHT WE WERE PURCHASING SOMETHING THAT WOULD BE UP THERE WITH THE SURETY OF TRICARE BUT INSTEAD WE PAID \$200 EVERY MONTH AND THEN REFUSED TO PAY FOR ANYTHING BUT THE MOST BASIC OF SERVICES. WE HAVE BEEN MUCH BETTER OFF SWITCHING TO ANOTHER SUPPLEMENT OF NO SUPPLEMENT AT ALL. NOW THAT WE LEFT TRICARE, WE HAVE BEEN ABLE TO TAKE CARE OF SOME MEDICAL PROBLEMS WITH EASE AND ASSURANCE THAT WAS UNAVAILABLE TO US LAST YEAR. WE NOW PAY FOR OUR ENTIRE FAMILY'S INSURANCE WHAT WE PAID FOR THE SUPPLEMENT AND HAVE A SMALL CO-PAY AND ARE TAKEN CARE OF.											
MI. Grand Rapids	495	No	1-2	Yes	Family/GP	No	1-2	Yes	None	Y	Y
The shortage is really general family doctors, who are not experts. (Wife) I feel that our needs are not met. I am on a 60 day trial to lower income families. The office gives me no impression that they are doing one a favor just to see me. I do not receive the full attention of the doctors. Why can't we have reliable doctors to tend to our needs. Please answer this question! Thank You, Mrs. Carl Anderson											
MI. Grand Rapids	495	No	3-4	No	Obstetric	No	5+	No	Other/Multiple	Y	Y
There are a total of six providers in my area, not one as a pediatric so I am not able to get my children seen. There are six ob/gyns for the area but I am not able to get my children seen. There are six ob/gyns for the area but I am not able to get my children seen. There are six ob/gyns for the area but I am not able to get my children seen.											

TRICARE Access Survey comments for 3-Digit Zips of 3 or more with 75% or more percent having difficulty finding primary or secondary health care providers.

3-Digit Zip Code	Primary Care			Specialty Care			Primary Care Finding Problem	Specialty Care Finding Problem
	Fid. Provider	No. of Providers	Pay to Provider	Primary Care Type	Fid. Provider	No. of Providers		
030	No	1-2	Contracted	Family GP	No	3-4	No	Contracted
036	No	1-2	Yes	Family GP	No	1-2	Yes	Orthopedic
046	No	5+	Yes	Family GP	No	3-4	Yes	Orthopedic
056	No	none	Yes	none	No	every	Yes	Orthopedic
066	Yes	1-2	No	Internal Care	Yes	1-2	No	Orthopedic
076	No	1-2	none	none	none	none	none	Orthopedic
086	No	1-2	Gynecology	Gynecology	none	none	none	Orthopedic
096	No	3-4	Yes	Internal Care	No	1-4	Yes	Orthopedic
106	No	3-4	Family GP	Family GP	none	none	none	Orthopedic
116	No	3-4	Internal Care	Internal Care	Yes	1-2	No	Orthopedic
126	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
136	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
146	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
156	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
166	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
176	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
186	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
196	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
206	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
216	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
226	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
236	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
246	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
256	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
266	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
276	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
286	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
296	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
306	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
316	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
326	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
336	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
346	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
356	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
366	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
376	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
386	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
396	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
406	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
416	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
426	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
436	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
446	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
456	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
466	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
476	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
486	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
496	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
506	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
516	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
526	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
536	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
546	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
556	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
566	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
576	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
586	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
596	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
606	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
616	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
626	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
636	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
646	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
656	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
666	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
676	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
686	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
696	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
706	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
716	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
726	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
736	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
746	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
756	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
766	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
776	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
786	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
796	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
806	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
816	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
826	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
836	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
846	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
856	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
866	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
876	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
886	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
896	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
906	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
916	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
926	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
936	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
946	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
956	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
966	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
976	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
986	No	5+	yes	Family GP	No	5+	Yes	Orthopedic
996	No	5+	yes	Family GP	No	5+	Yes	Orthopedic

State & City	3-Digit Zip	Primary Care			Specialty Care			Primary Care Finding Problem	Specialty Finding Problem		
		Find Provider	No of Providers Contacted	Pay Job Type	Find Provider	No of Providers Contacted	Pay Job Type				
NC, Salisbury	281	Yes	1-2	Yes	Family/GP	Yes	3-4	Yes	Other/Multiple	Y	The basic problem in this area is that most of the providers will not accept the TriCare assignment. They will submit the claim, but will only send it as an "unassigned claim." This is especially true of all specialists. I have contacted except this dermatologist. So even though the total out of pocket expense has changed from \$7000 to \$3000 none of these expenses go against that total.
NC, Boone	286	No	1-2	Yes	Family/GP	No	1-2	Yes	Other/Multiple	Y	The best doctors in my area do not accept TriCare at all. They want the money up front but will be disappointed. One doctor has been good and reputations appear to accept TriCare. Not much of a recommendation.
NC, Valle Crucis	288	No	3-4	Yes	Family/GP	No	none	Yes	Ortho/Surgery	Y	TriCare coverage in this area is pitiful. Our family drives 30 miles to the nearest TriCare PC/M. For our youngest son, 8 mos, we insist on taking him to pediatrician. The closest TriCare pediatrician is 60 miles away. Therefore, we pay top dollar and have no insurance coverage for him to see the local pediatrician. Our 3rd son, 7 yrs, has been referred to an Orthopedic Surgeon in Asheville. THERE ARE NONE, according to "TRICARE IN OUR ENVIRONMENT" in Rutherford, VA. This could be a problem for our grandchild. Not only are providers dropping TriCare, but subscribers we will stop paying premiums if there is no one to service us.
NC, Hickory	286	Yes	1-2	No	Family/GP	Yes	1-2	No	Other/Multiple	Y	No one wants to take the low payments provided by TriCare.
FL, U.S. Brown	326	No	1-2	Yes	Family/GP	none	none	Yes	none	Y	Why don't you asshole ask about TRICARE PRIME also????
FL, Port St. Lucie	335	No	3-4	Yes	Family/GP	No	3-4	Yes	Gastro	Y	
FL, Gainesville	326	No	5+	none	Family/GP	none	none	none	none	Y	There is currently only one provider for the Gainesville area and he is located about 30-20 miles away. We are forced to use an insurance plan provided by my employer. The cost of the plan is very high. The insurance standard supplement we have with the plan is not good. The only way we can get TriCare program is too slow in paying and in some cases do not pay enough.
FL, Gainesville	326	Yes	5+	No	Gynecology	Yes	1-2	No	Other/Multiple	Y	When we moved here, I need to find a gyn doctor. I called many people only to find they are not taking new patients or did not accept my insurance. I go to my internal med one provider for a PAP test but I need to see a gyn doctor.
FL, Stuart	349	No	3-4	No	Internal/Ortho	No	1-2	No	Other/Multiple	Y	Most are not accepting new patients. Have considered changing to TriCare Prime but prefer the tax savings provided by TriCare Standard.
FL, Port St. Lucie	349	No	3-4	No	Internal/Ortho	No	1-2	No	Other/Multiple	Y	I can find a provider but must drive over 50 miles to find one that accepts TriCare Prime. When new physicians leave TriCare either require full payment or TriCare pays \$100 or a \$200 bill, we pay the rest. They will not accept TriCare Prime. Never had this happen before. The Port St. Lucie area is heavily retired and used to accepting Medicare. Retired military are the odd ones out. Love to see fixed. Several doctors never heard of TriCare. Hard to believe.
FL, Stuart	349	No	3-4	No	Internal/Ortho	Yes	5+	No	Gastro	Y	
FL, Port St. Lucie	349	Yes	3-4	Yes	Other/Multiple	No	1-2	Yes	Gastro	Y	

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TRICARE Access Survey comments for 3-Digit Zips of 3 or more with 75% or more percent having difficulty finding primary or secondary health care providers.

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State & City	3-Digit Zip	Primary Care			Specialty Care			Comment	Primary Care Provider Problem	Specialty Care Provider Problem
		Find Provider	No of Providers Contacted	Pay Up Front	Primary Care Type	End Provider	No of Providers Contacted	Pay Up Front	Specialty Care Type	
FL - Unknown	345	No	none	No	none	Yes	1-2	No	none	Y
FL - Fort St. Lucie	349	No	none	No	none	Yes	1-2	No	Comprehensive	Y
MS - Gulfport	395	No	1-2		Family GP		none		none	Y
MS - Gulfport	395	No	1-2		Family GP		none		none	Y
MS - Long Beach	395	No	3-4		Family GP		none		none	Y
MS - Ocean Springs	395	No	every	Yes	Other/Multi ple	No	every	Yes	Orth Surgery	Y
MS - Gulfport	395	Yes	5+	No	Internal/Carde	No	1-2	No	Urology	Y
WY - Rock Springs	829	No	3-4		Family GP		none		none	Y

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State & City	Primary Care				Specialty Care				Primary Care Finding Problem	Specialty Care Finding Problem	
	3-Digit Zip	Find Provider	No of Providers Contacted	Pay Up Front	Primary Care Type	Find Provider	No of Providers Contacted	Pay Up Front			Specialty Care Type
State & City AK, Anchorage	995	Yes	5+	Yes	Other/Multiple	No	5+	Yes	Surgery	Y	Tricare providers in this area with competent, good quality doctors are just about non-existent. When my wife was working there was no problem since I had Alaska State Aetna health insurance and so did she. She is retired since I had to pay up front because Aetna only pays 80%. All providers in Anchorage will not take Tricare period and give us a bad time at the desk every time we say we have it. They tell us they have a hard time getting their money and/or the amount. Tricare pays its under usual payment. We have been turned away from doctors and have had to pay out of pocket for a long time. We have had to pay up front for surgery and/or appt. We are treated like second class citizens because we say we have Tricare much like welfare patients. It has always been this way in Anchorage, and we have lived here for 33 years.
AK, Eagle River	995	Yes	1-2	No	Family/GP	Yes	1-2	No	Other/Multiple	Y	I am 76 year old veteran. For many years after retirement, Elmendorf Air Force Base hospital was my provider. When I became medicare eligible, they told me to get my care elsewhere, then after a couple years, brought me back in under a Senior Partners program. Then after a couple years, Tricare for Life came along and they claimed that there were too many seniors so they held a lottery to determine who would be provided medical care. I was not lucky enough to be drawn, so we had to look out again. I am extremely frustrated with Elmendorf and the providers that have been assigned to me. I have had to pay out of pocket for reliable medical care more now than at any time in my life and feel that my country has let me down in that regard.
MD, Easton	216	No	5+	No	Family/GP	No	every none	No	Urology none	Y	As far as I know there are no providers of Tricare within 45 miles of my area. Fishing Creek MD is the eastern side of the Chesapeake Bay. To get to the providers I either have to swim or boat 12 miles or drive 3hrs one way in the rain!!!!!!
MD, Fishing Creek	216	No	5+	No	Family/GP	No	1-2	Yes	Other/Multiple	Y	Eastern Shore of MD is relatively affluent, with high percentage of retirees & second home residents, but apparently few military retirees. Many MD's refuse Tricare, some even refuse Medicare, such as the ONE board services ENT and ENTIC (ENTIC is a specialty of ENT). Some will keep their private insurance from Anchorage (QC) or go to area (1-2 hour drive). The one family practice MD who both took new patients AND Tricare had just moved here from Phila. area to set up new practice. We were lucky to get on his list.
MD, Thigman	216	Yes	5+	Yes	Family/GP	No	1-2	Yes	Other/Multiple	Y	Have not encountered any shortage to date.
MD, Chester	216	Yes	none	No	none	Yes	5+	No	Other/Multiple	Y	Most specialists in our area will not accept Tricare because under Section 8001 Public Law 102-595 any provider who "accepts Tricare" is liable to charge no more than 15 percent above the Tricare maximum allowable. That means, according to the TRICARE Handbook, and the Administrator for our region, that if we are treated by a provider who does not accept the limitation or charges we must pay the full bill for any care and there would be no government contribution or any part of the cost.
MD, Cambridge	216	Yes	none	Yes	Family/GP	No	3-4	Yes	Other/Multiple	Y	Don't specialize in our area will not accept Tricare because under Section 8001 Public Law 102-595 any provider who "accepts Tricare" is liable to charge no more than 15 percent above the Tricare maximum allowable. That means, according to the TRICARE Handbook, and the Administrator for our region, that if we are treated by a provider who does not accept the limitation or charges we must pay the full bill for any care and there would be no government contribution or any part of the cost.
VA, King George	224	No	5+	No	Internal/Cards	No	3-4	No	Cancer	Y	There are NO GPs (except that will accept Tricare in the King George County or Fredericksburg, VA area) there are NO Dermatologists that will accept Tricare in the King George County or Fredericksburg, VA area.
VA, King George	224	No	5+	No	Internal/Cards	No	5+	No	Cancer	Y	There are NO GPs (except that will accept Tricare in the King George County or Fredericksburg, VA area) there are NO Dermatologists that will accept Tricare in the King George County or Fredericksburg, VA area.

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TRICARE Access Survey comments for 3-Digit Zips of 3 or more with 75% or more percent having difficulty finding primary or secondary health care providers.

State & City	3-Step Ziehl-Neelsen	Find Provider	No of Providers Contacted	Primary Care Type	Find Provider	Specialty Care Type	Pay Up Front	Specialty Care Type	Comment	Primary Care Finding Problem	Specialty Finding Problem
State & City	287	No	3-4	Yes	Internal Care	No	1-2	Yes	Very few will accept Tricare. Most require full payment, up front and we get only a small portion back from Tricare. RIGGEST COMPLAINT - Georgia Internal Medicine at Asheville, NC refused to allow me to be a patient in their practice. Since Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket.	Y	
NC, Franklin	287	No	every	No	Osteotic	No	every	No	Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket.	Y	
NC, Sparta Pine	287	No	none	Yes	Family GP	No	1-2	Yes	The only Orthopedic within 50 miles refuses to accept any Tricare program. However, the frustration index of medical providers is increasing rapidly.	Y	
NC, Asheville	287	Yes	1-2	No	Family GP	Yes	1-2	No	Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket.	Y	
NC, Maggie Valley	287	Yes	3-4	No	Family GP	No	every	One Multiple	We have USAF supplemental care and this December when they asked to provide service. Because of my preexisting condition of Prostate Cancer I don't believe that I can now get other supplemental help. My wife and I must travel approximately one hour for our primary care physician. We live in Maggie Valley, NC and the nearest Tricare provider is in the north of Asheville. For a co-pay I had to travel to Winston Salem, NC (three hours away), where finding a specialist to do the procedure.	Y	
NC, Weaverville	287	Yes	5+ every	Yes	Family GP	Yes	none	none	The nearest Tricare provider (other than Pediatric only) is in Asheville over 60 miles one way.	Y	
NC, Bryson City	287	Yes	every	Yes	Family GP	Yes	every	One Multiple	Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket.	Y	
NC, Weaverville	287	Yes	none	Yes	none	No	every	One Multiple	Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket.	Y	
NC, Charleston	284	No	1-2	Yes	Family GP	No	3-4	Yes	Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket.	Y	
NC, Summerville	284	No	1-2	Yes	Family GP	No	1-2	Yes	Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket.	Y	
NC, Summerville	284	Yes	1-2	Yes	Family GP	No	1-2	Yes	Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket.	Y	
NC, S.C. of Parris	294	Yes	1-2	No	Internal Care	Yes	1-2	No	Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket.	Y	
NC, Charleston	294	Yes	3-4	Yes	Family GP	No	1-2	Yes	Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket.	Y	
Unknown	323	No	3-4	No	Family GP	No	every	Yes	Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket. Tricare is the only health insurance I offered to pay their amount and the doctor refused to accept it, I was forced to pay out of pocket.	Y	

TRICARE Access Survey comments for 3-Digit Zips of 3 or more with 75% or more percent having difficulty finding primary or secondary health care providers.

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 TRICARE Access Survey comments for 3-Digit Zips of 3 or more with 75% or more percent having difficulty finding primary or secondary health care providers.

State & City	3-Digit Zip	Primary Care			Specialty Care			Primary Care Finding Problem	Specialty Finding Problem
		Find Provider Contacted	Pay Up Front	Primary Care Provider Type	No of Providers Contacted	Pay Up Front	Specialty Care Type		
FL, Englewood	342	Yes	No	FamilyGP	1-2	No	Other/Multiple	Y	Y
FL, Parrish	342	Yes	No	Internal/Cardio	3-4	No	Urology	Y	Y
FL, Ellenton	342	Yes	No	FamilyGP	3-4	No	Other/Multiple	Y	Y
AL, Madison	357	No	No	FamilyGP	1-2		none	Y	Y
AL, Madison	357	No	No	FamilyGP	1-2	No	One/Multiple	Y	Y
AL, Madison	357	No	No	Internal/Cardio	3-4	none	none	Y	Y
AL, Hampton Cove	357	Yes	Yes	FamilyGP	1-2	Yes	Gastro	Y	Y
AL, Brownsboro	357	Yes	No	Other/Multiple	3-4	No	Clinic/Surgery	Y	Y

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Military Officers Association of America (MOAA) March 2003 TRICARE Access Survey

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State & City	3-Digit Zip	Primary Care				Specialty Care				Comment	Primary Care Finding Problem	Specialty Care Finding Problem
		Find Provider	No of Providers Contacted	Pay Up Front	Primary Care Type	Find Provider	No of Providers	Pay Up Front	Specialty Care Type			
TX, Fort Worth	760	Yes	none	Yes	none	No	5+	Yes	Chiropractic	Have yet to find a dermatologist in Dallas that will accept TRICARE or even see us on any basis but "self-pay". After a two-year search, we finally found a gyn who will file. The other surgeons and gyns to whom our family doctor referred us do not accept TRICARE, and in fact my wife's surgeon last year threatened to refer us to an out-of-state gyn. One gyn agreed to let our son and daughter be referred to him, but he would not accept TRICARE. We are now looking for a gyn for internal medicine. We see what appear to be MDs or possible practicing MDs.	Y	Y
TX, Bedford	760	No	1-2		FamilyGP		none		none	Chiropractic not in TRICARE due to the fact that there are NO MDs in my area that will accept the program. The only providers are DOs. While DOs may be qualified, I do not believe that they have the quality of training that an MD has received.		Y
TX, Arlington	760	No	3-4	Yes	FamilyGP	No	1-2	Yes	Ortho Surgery	In the Arlington area, the number of providers who accept TRICARE is very small. I have not found a back surgeon, previous surgeon dropped FROM PROGRAM AS DID FORMER GLAUCOMA AND GYNECOLOGIST. DR. COMMON COMPLAINT "TRICARE PAYS TOO LITTLE". MY BACK SURGEON SUBMITTED BILL FOR OVER \$4000 (MAYBE TOO HIGH, DON'T KNOW) AND HE RECEIVED \$400 FOR HIS 2.5 HR OPERATION.	Y	Y
TX, Austin	760	No	3-4		Other Multiple		none		none	There is no one who will take Tricare. My Doctor said their pay is below that of Medicare. He said they pay about what they were charged in the 60's since my spouse and both work and are also covered under private health care we already use. Tricare Standard can be seen at the VA but spouse can't and my private care taking new Tricare patients. Too at present base, IRAS HAS. Carewell that refuses are only seen on space available basis and that there were no appointments. That is still true today.		Y
TX, Garland	760	No	every		FamilyGP		none		none	Four providers listed in the area directory provided by the Tricare office. Only one was available to see new patients as of July. He stopped accepting new Tricare patients immediately after that.		Y
TX, Grapevine	760	No	every		FamilyGP		none		none	There is no one who will take Tricare. My Doctor said their pay is below that of Medicare. He said they pay about what they were charged in the 60's since my spouse and both work and are also covered under private health care we already use. Tricare Standard can be seen at the VA but spouse can't and my private care taking new Tricare patients. Too at present base, IRAS HAS. Carewell that refuses are only seen on space available basis and that there were no appointments. That is still true today.		Y
TX, Arlington	760	No	every	Yes	FamilyGP	No	1-2	Yes	Other Multiple	Right now, travel 35 miles to Fort Worth. My wife uses doctors nearer our home for any other health insurance. When I retire from my present job, we will have to travel 35 miles to Fort Worth. The cardiology unit which I had had my first appointment is going to STOP taking Tricare Standard the end of May, 2003. Many are not willing to take Tricare because of the massive amount of paperwork (copies of each test/treatment) required for payment. Tricare could save this burden of paperwork by having the patient fill out a TRICARE FORM when the provider performs required test or treatments for medical care.		Y
TX, Southlake	760	No	none	Yes	FamilyGP	No	5+	Yes	Other Multiple	During the last months I have required specialty care 3 times and I would have to travel 200 miles to get that care. I have been told that there is no one available to find an urologist that would accept Tricare Standard.		Y
TX, Weatherford	760	Yes	1-2	No	FamilyGP	Yes	1-2	No	none	The cardiology unit which I had had my first appointment is going to STOP taking Tricare Standard the end of May, 2003. Many are not willing to take Tricare because of the massive amount of paperwork (copies of each test/treatment) required for payment. Tricare could save this burden of paperwork by having the patient fill out a TRICARE FORM when the provider performs required test or treatments for medical care.		Y
TX, Arlington	760	Yes	1-2	Yes	Internal/Chien	No	3-4	Yes	Urology	During the last months I have required specialty care 3 times and I would have to travel 200 miles to get that care. I have been told that there is no one available to find an urologist that would accept Tricare Standard.		Y
TX, Arlington	760	Yes	5+	No	FamilyGP	No	every	No	Gastro	When we first moved to the Dallas-Fort Worth Area prior to retirement the TRICARE Standard program was a new one. Over the past two years the Family Practice, Otolaryngology, and Internal Medicine practices we started out with now refuse TRICARE Standard. The MD's we now see appear to be less qualified.		Y

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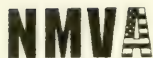
State & City	3-Digit Zip	Primary Care			Specialty Care			Comment	Primary Care Finding Problem	Specialty Care Finding Problem
		Find Provider	No of Providers Contacted	Pay Up Front	Primary Care Type	Find Provider	No of Providers Contacted	Pay Up Front		
TX, Terrell	765	Yes	1-2	No	FamilyGP	Yes	1-2	No	Other/Multiple	Y
I have been informed by my primary care provider that the King's Daughters Hospital group of providers in Terrell, Elizabeth Windsor, is a member with no longer a contract with TRICARE. My wife and I have been told that the King's Daughters shows only four or five providers who are not affiliated with King's Daughters. These providers do not list a hospital affiliation. As of this time we are told Darnall Army Community Hospital at Ft Hood, the nearest military facility, is not accepting new patients. I suspect at the least I will not have a choice of providers and at worst, will have no provider as of 1 April 2003.										
TX, Copperton Cove	765	Yes	1-2	No	FamilyGP	No	1-2	No	none	Y
We live next to Ft Hood where there are medical facilities, but it's sign up for one of these clinics takes months of wait to be accepted. My wife's COC is Standard with a USAA Supplement not much problem except her physician did not want to take her when she found out she was now on Tricare, then I relined and she asked her dr. if she would take me. She said only because my wife was already her patient. She was taking no more tricare patients. The only to the physicians in our area is terrible and slow. I do not blame them. They charge \$250 for an office visit and Tricare pays them 10, after my copay of \$12. It will take a long time to get a specialist and I am not sure if they will accept Tricare. Then the specialist will not take you because they find out what insurance you have.										
TX, Morgan's Point	765	Yes	1-2		Gynecology		none		none	Y
In my area there is only "one" doctor that will accept Tricare Prime, which is what I have now. If I stay on Tricare Standard I can continue to use the doctor. I have used for many years BUT Tricare Standard costs me too much out of pocket money. And with Tricare Prime I can use the military facility which is approx 30 miles away.										
TX, Belton	765	Yes	1-2	No	FamilyGP	No	every	No	Other/Multiple	Y
In the Temple/Belton TX area, there are no Dermatologists who accept Tricare.										
TX, Kulien	765	Yes	1-2		FamilyGP		none		none	Y
My main problem with tricare is that I keep getting kicked off the DEERS system (6 or 7 times since I came on active duty in November).										
TX, Parker Heights	765	Yes	3-4	No	FamilyGP	No	every	No	Other/Multiple	Y
The paucity of TRICARE Standard providers is particularly in the field of dermatology and somewhat in general practice. Scott and White Medical Center in Temple, TX, has a dermatology clinic that is open 1 day a week for TRICARE Standard. On the rare exception that they do, the time spent with us is very short 5-9 minutes.										
TX, Kempner	765		none		none		none		none	Y
I AM A TRICARE PRIME USER, HOWEVER I BELIEVE THAT MY COMMENTS WILL SHOW A TREND THAT IS OCCURRING IN THE HMO BUSINESS. AS A TRICARE PRIME USER, I WAS INFORMED BY LETTER BY KINGS DAUGHTERS HOSPITAL THAT I WOULD NO LONGER BE CARED FOR AND THAT I WOULD HAVE TO SWITCH TO TRICARE STANDARD. I WAS NOT GIVEN A DECISION APPARENTLY BECAUSE THE REDUCTION OF BENEFITS WAS AS WELL TO EFFECT TRICARE PRIME USERS. I WAS FORCED AFTER MANY YEARS TO FIND A NEW PROVIDER AND EVENTUALLY WILL USE THE US ARMY AT FORT HOOD. HAVING SPOKE WITH MANY DOCTORS IN THE AREA, I FIND THAT THEY ARE GENERALLY UNWILLING TO TRICARE IN ANY MANNER. I HAVE BEEN TOLD BY ONE OF THE DOCTORS THAT IF I TRUST THAT THIS MAY HELP. CWO RICHARD P. DESPREMOS USA RET.										
TX, Corpus Christi	784	No	3-4	Yes	FamilyGP	No	5+	Yes	Ortho/Surgeon	Y
The providers are not willing to treat, they are unwilling to accept the time amount of pay that tricare offers.										

TRICARE Access Survey comments for 3-Digit Zips of 3 or more with 75% or more percent having difficulty finding primary or secondary health care providers.

[illegible]

Military Officers Association of America (MOAA) March 2003 TRICARE Access Survey
TRICARE Access Survey comments for 3-Digit Zips of 3 or more with 75% or more percent having difficulty finding primary or secondary health care providers.

State & City	Primary Care				Specialty Care				Primary Care Finding Problem	Specialty Care Finding Problem
	Find Provider	No. of Providers Contacted	Pay Up Front	Primary Care Type	Find Provider	No. of providers	Pay Up Front	Specialty Care Type		
WA, Unknown	983	No	3-4	Gynecology	No	1-2	No	Other/Multiple	Comment: No GYN specialists within 50 miles accept Tricare Prime or Standard patients. One GYN service provider in area does not accept Tricare Standard payment amount.	Y
WA, Puyallup	983	No	5+	FamilyGP	No	1-2	No	Other/Multiple	The issue is more a shortage of doctors in general. That increases the demand and therefore doctors are less willing to accept Mediastate and Tricare patients because they can receive more from other insurances. Getting a medical appointment with a civilian doctor is more difficult now than at the MTF.	Y
WA, Port Angeles	983	No	5+	FamilyGP		none		none	Because of the strictly low reimbursement rates especially for primary care and the administrative hassles in submitting claims to the Tricare Prime or Standard area will accept new Tricare Standard patients. When referred to Seattle for specialty care, the problem continues. Virginia Mason in Seattle will not accept Tricare referrals even from their own clinic in Port Angeles.	Y
WA, Seabeck	983	No	every	Internal/Cards		none		none	I am currently paying out of my pocket for medical insurance (HMO) for my wife because I could not find a Tricare Medicine primary care provider within 40 miles. I live in a remote area. Tricare Standard is not accepted in this area.	Y
WA, Port Angeles	983	No	every	FamilyGP		none		none	Virtually all healthcare providers in the northern Olympic Peninsula of Washington has begun, in the past year, to refuse Tricare patients. It is 70 miles to Bremerton naval hospital MTF.	Y
WA, Sequim	983	No	every	Pediatric		none		none	More providers are discontinuing accepting Tricare Standard or Prime because of the low reimbursement of payment to them. I live a minimum of an hour commute to the nearest Tricare Standard or Prime provider. The few providers that do accept Tricare are much further away than that. The few providers that do accept Tricare are already too busy to take any more patients.	Y
WA, Binton	983	Yes	1-2	FamilyGP	No	3-4	No	Other/Multiple	There is problem in this area trying to find any provider that accept any form of TRICARE. For example the closest GYN that accepts TRICARE prime is an hour drive away.	Y
WA, Sequim	983	Yes	1-2	FamilyGP	No	3-4		Other/Multiple	There are specialty doctors in the area (very few) who accept Tricare and of course they are not Tricare doctors. They are not Tricare doctors and the local specialty doctors are on an on call nurse and when they hear Tricare they deny the patient is denied acceptance. They have had difficulty with payment taking in excess of 6 months to be received and they can't pay their bills with that type of reimbursement.	Y
WA, Unknown	983	Yes	none	Internal/Cards		none		Other/Multiple	I moved into this area in March of 2002. While it may appear that I had no problem locating a Tricare Standard provider, my responses do not reflect my actual experience. I have had to travel to the nearest Tricare Standard provider, a physician serving Tricare Standard patients. I was informed by many that clinics that previously provided care were no longer accepting retirees on Tricare Standard. The physician that I finally selected told me after accepting my wife and I that his clinic was being forced to close access to Tricare Standard patients. Fortunately, the clinic continued to serve their existing patients. A major clinic in nearby Sequim closed and the physicians split and started three other practices, and I am still none above Tricare Standard patients.	Y
WA, Unknown	983	Yes	3-4	FamilyGP		none		none		Y
WA, Gardiner	983	Yes	1-2	FamilyGP		none		none		Y



National Military Veterans Alliance
5535 Hempstead Way, Springfield, VA 22151

Phone: (703) 750-2568
Fax: (703) 354-4380

STATEMENT OF

THE NATIONAL MILITARY AND VETERANS ALLIANCE

BEFORE THE

TOTAL FORCE HOUSE SUBCOMMITTEE

OF THE

THE HOUSE ARMED SERVICES COMMITTEE

Presented by

Marshall Hanson, CAPT USNR (Ret)
Co-Director, National Military Veterans Alliance,
and Director of Legislative Affairs
National Association for Uniformed Services.

Deirdre Parke Holleman, Esq.
National Legislative Director
The Retired Enlisted Association

March 27, 2003

"Representing the Total Force"

CURRICULUM VITAE AND ORGANIZATIONAL DISCLOSURE STATEMENTS

Marshall Hanson, CAPT USNR (Ret)

Co-Director, National Military Veterans Alliance,
and Director of Legislative Affairs, National Association for Uniformed Services.

Marshall Hanson just joined the staff of the National Associations for Uniformed Services (NAUS) on March 17, 2003 as Director of Legislative Affairs. CAPT Hanson has been co-director of the National Military Veterans Alliance since April of 2002, but has served as the chairman of the NMVA Guard and Reserve Committee for nearly four years.

Retiring this past August from the Naval Reserve, Marshall Hanson served as a Captain (O-6) with a military career spanning over 30 years of active and inactive (drilling) status. He served afloat in Vietnam, and has had additional duty assignments to India, S. Korea, Okinawa, and Japan. He has had command of seven Naval Reserve units. Marshall is a graduate with distinction of the Naval War College. He holds an MBA in marketing, from the University of Washington, Seattle.

Following 20 years in manufacturing production planning and material scheduling, Marshall Hanson left Seattle, Washington to accept his previous position as Director of Legislation for the Naval Reserve Association, where he started in May of 1999.

Deirdre Parke Holleman, Esq.

National Legislative Director, The Retired Enlisted Association

Deirdre Parke Holleman, Esq. is the National Legislative Director of The Retired Enlisted Association. TREA's Legislative Office covers the legislative concerns of enlisted retirees in all the Uniformed Services. Mrs. Holleman focuses on military health care and survivor issues. She is the Chairman of NMVA Health Care Committee. For the last several years she has been active in OSD's TFL Working Group (recently renamed the TRICARE Beneficiary Panel to reflect its broader scope of concerns.) She is also active in numerous other committees and military and retiree organizations.

Before joining TREA Mrs. Holleman was the Washington Liaison for The Gold Star Wives of America, Inc. In that capacity she represented GSW's concerns and legislative goals before Congress, the Administration, DOD, the VA, and to its fellow Veteran Service Organizations.

Mrs. Holleman is an attorney licensed to practice in New York, and before all the Federal District Courts, the Second Circuit Court of Appeals and the U.S. Supreme Court. As Associate Director of the Legal Aid Society of Mid-New York Inc. she represented the poor in nine upstate counties in civil court matters. She regularly represented them in appellate matters. She has a B.A. in History and Journalism from The George Washington University and earned her J.D. from Vanderbilt University School of Law.

She is married to Christopher Holleman, an Administrative Judge for the U.S. Small Business Administration.

Disclosure

Neither the National Military Veterans Alliance, the National Association of Uniformed Services nor The Retired Enlisted Association (TREA) have received grants (and/or sub-grants) or contracts (and/or subcontracts) from the federal government for the past three fiscal years.

INTRODUCTION

Mister Chairman and distinguished members of the Committee, The National Military and Veterans Alliance (NMVA) is very grateful for the invitation to testify before you about our views and suggestions concerning current and future issues facing the defense health program.

The Alliance was founded as an umbrella organization to be utilized by various military and veteran associations as a means to work together towards their common goals. The Alliance's organizations are:

- 1 American Military Retirees Association
- 2 American Military Society
- 3 American Retiree Association
- 4 American Logistics Association
- 5 American World War II Orphans Network
- 6 AMVETS National Headquarters
- 7 Catholic War Veterans
- 8 Class Act Group
- 9 Gold Star Wives of America
- 10 Korean War Veterans Foundation
- 11 Legion of Valor
- 12 Military Order of the Purple Heart
- 13 National Association for Uniformed Services
- 14 National Gulf War Resource Center
- 15 Naval Enlisted Reserve Association
- 16 Naval Reserve Association
- 17 Non Commissioned Officers Association
- 18 Society of Medical Consultants to the Armed Forces
- 19 Society of Military Widows
- 20 The Retired Enlisted Association
- 21 TREA Senior Citizens League
- 22 Tragedy Assistance Program for Survivors
- 23 Uniformed Services Disabled Retirees
- 24 Veterans of Foreign Wars
- 25 Vietnam Veterans of America

The preceding organizations have almost five million members who are serving our nation, or who have done so in the past and their families.

CURRENT AND FUTURE ISSUES FACING UNIFORMED SERVICES HEALTH CARE

The National Military and Veterans Alliance must once again thank this Committee for the great strides that have been made over the last few years to improve the health care provided to the active duty members, their families, survivors and Medicare eligible retirees of all the Uniformed Services. The improvements have been historic. TRICARE for Life and the Senior Pharmacy Program have enormously improved the life and health of Medicare Eligible Military Retirees their families and survivors. DoD's new Medicare Eligible Retiree Health Care Fund has been put into place. This addition should help stabilize funding for military health care in the future. Additionally, reducing the catastrophic cap, improving the TRICARE Prime Remote program and making other TRICARE improvements have improved the situation of numerous other TRICARE beneficiaries. It has been a very successful few years. But there are still many serious problems to be addressed.

Mr. Chairman, the overall goal of the National Military Veterans Alliance is comprehensive, lifelong medical and dental care for all Uniformed Service beneficiaries regardless of age, status or location. In light of these overall objectives we would request that the committee examine the following proposals:

AN ADEQUATE HEALTH CARE BUDGET

As always, the most pressing issue facing military health care is an adequate Defense Department Health Care Budget. This is again the Alliance's top priority. It was this Committee's concerns that ensured full funding last year and created the new Health Care Fund that should stabilize some of the ongoing costs. With the additional costs that will surely come with the deployments to Southwest Asia, Afghanistan and, now, Iraq, we must all stay vigilant against future budgetary shortfalls that would damage the quality and availability of health care.

IMPROVING TRICARE STANDARD

While great steps forward have been made in health care for those uniform services' beneficiaries covered under TRICARE Prime and TRICARE for Life, TRICARE Standard has withered on the vine. TRICARE Standard has truly become the stepchild of military health care. The Alliance asks that this Committee focus on this final

group of forgotten beneficiaries. Some improvements in the situation could be easily accomplished others are indeed difficult.

There should be a requirement that all TRICARE Standard beneficiaries be contacted at least once a year with information of the changes in the program and benefits. The Alliance believes that there is no other health care plan in the Country that does not contact its beneficiaries on at least an annual basis. TMA is considering plans to improve communications between TRICARE Prime and its beneficiaries. Including TRICARE Standard in such a plan would be an easy improvement.

An additional population needing to be contacted is the "gray area" Reservists when they reach age 60 and finally qualify for retirement pay. Too often, this group of retirees is unaware of the automatic enrollment, and individuals carry unneeded medical coverage. They should be informed of the TRICARE Standard as a benefit, and what it covers.

A much harder improvement in TRICARE Standard involves creating initiatives to convince health care providers to accept TRICARE Standard patients. TRICARE reimbursement rates are tied to Medicare reimbursement levels. It is well known that health care providers are dissatisfied with TRICARE reimbursement levels. The Alliance was pleased and relieved by the Administration's and Congress' recent corrections and improvements in Medicare reimbursement rates. This correction in the Medicare program will also be a great help to the TRICARE Program. But it is not enough. The history of low and slow payments in the past for TRICARE Standard as well as what still seems like complicated procedures and administrative forms makes it harder and harder for beneficiaries to find health care providers that will accept TRICARE. Any improvements in the rates paid for Medicare/TRICARE should be a great help in this area. Additionally, any further steps to simplify the administrative burdens and complications for health care providers for TRICARE beneficiaries hopefully will increase the number of available providers.

The Alliance urges the Committee to abolish all Non Availability Statements (NAS) in the TRICARE Standard program. Until this is done TRICARE Standard is not a complete fee-for-service program.

We recognize that the Military Health system suggests NAS's. However by establishing better communications with TRICARE standard beneficiaries and informing them of the availability of care within Military Treatment Facilities (MTFs) and how to access this care, MTF commanders and medical specialists would have more patients than they could handle without the need for NAS's.

It is interesting to note that under the TRICARE Reserve Family Demonstration Project the requirement for NAS's for the families of mobilized Reservists has been waived. Parity between the components should allow a similar waiver for Active Duty families.

One key tool in making low cost MTF care available has been the resource sharing program: putting civilian health care professionals and support personnel into military

hospitals and clinics. Currently, there are 3,500 people working and providing services in MTFs serving approximately 2 million patients annually. The Alliance is concerned that a gap exists in the transition of this program from its current configuration to that of the new generation of contracts. All current agreements must end with the current contracts, yet without clear guidance on how the Services will continue these services, nor when the individual MTFs will be able to access the current resources to implement this program. We are concerned that this process will impede beneficiary services. We will stay watchful of this particular function. We urge the Committee's interest as well.

Finally, TRICARE Standard beneficiaries should be given some help in finding available providers in their regions. Making this a known requirement of the TRICARE contractors could lower the frustration and discontent that active duty families and Non Medicare eligible retiree families are experiencing throughout the country.

IMPROVEMENTS IN TRICARE FOR LIFE

While it must be clear to the Committee that the Alliance is very happy with the progress that has been made for Medicare eligible beneficiaries there are still problems that should be highlighted to you.

It is crucial to allow Under Age 65 Medicare Beneficiaries to have the same electronic claims processing that the over 65 year beneficiary is receiving. While report language in the FY 2003 NDAA (P.L.107-107) directed DOD to provide this service and to submit a report on this matter by March 31 of this year very little has been done. DOD has indicated that they do not intend to deal with this matter until the new TRICARE contracts are implemented. In the meantime these beneficiaries are dealing with the old claims system. These younger beneficiaries are eligible for Medicare because of serious disabilities. It is crucial that they get health care. If they were included in the electronic processing all they would need to find is a health care provider who participates in Medicare. After the provider sends its claim to Medicare, Medicare will pay their portion and send the claim on to TRICARE. Without this process, however, the provider or the beneficiary has to send a second paper claim to TRICARE. Thus the beneficiary must find a provider who will take both TRICARE and MEDICARE. It makes life much harder for those who already have serious medical conditions and need seamless help the most of all.

MEDICARE PART B PENALTY

Before TRICARE for Life was implemented numerous retirees were advised that it made no sense for them to enroll in Medicare Part "B". This was particularly true if they lived near an MTF or in Europe. And they took that advice. After TRICARE for Life commenced they found that they could only participate in it if they paid the 10% a year Part "B" late enrollment penalty. For elderly retirees and low-grade retirees and their

survivors this penalty is crippling. The Alliance hopes that a one-time open enrollment without penalty can be created for these retirees. Last year the House passed HR 4546 that provided for this remedy but a similar bill did not pass the Senate. The Alliance is well aware that this is not under this Committee's purview. But it is within your area of interest and expertise. We hope you can do what is possible to help move this idea on again. An alternative that should be enacted this year would be to direct DoD to waive the Medicare Part "B" requirements for retirees and survivors who were eligible for, but were not enrolled in Part "B" prior to 1 Oct 2001, the effective start date of the TRICARE for Life Program.

TRICARE RETIREE DENTAL PLAN (TRDP)

The focus of the TRICARE Retiree Dental Plan (TRDP) is to maintain the dental health of Uniformed Services retirees and their family members. Several years ago we saw the need to modify the TRDP legislation to allow the Department of Defense to include some dental procedures that had previously prohibited by law, and thus, had been excluded from coverage but were necessary to fulfill the intent of the TRDP to maintain good dental health for retirees and their family members. With this modification the TRDP achieved equity with the active duty dental plan.

Now we are ready for the next step. The Department should assist retirees in maintaining their dental health by providing a government cost-share for the retiree dental plan. With many retirees and their families on a fixed income, an effort should be made to help ease the financial burden on this population and would promote a seamless transition from the active duty dental plan to the retiree dental plan in cost structure.

Additionally, we hope the Committee will enlarge the retiree dental plan to include retired beneficiaries who live overseas. The Alliance would appreciate the Committee's consideration of both proposals.

FEHBP OPTION

The Alliance hopes that it has made clear that the group of Uniformed Services beneficiaries who have been left out of the dramatic health care program improvements of the last few years are retirees and their families under the age of 65. Many have found that because of the part of the country they live in their TRICARE benefit is a hollow one. They are not able to find local health care providers who will accept TRICARE Standard and no TRICARE Prime network is available to them. The Alliance suggests that Uniform Services retired beneficiaries be given the option to enroll in the Federal Employees Health Benefit Program (FEHBP) as their civilian counterparts. This is a program with a history of success. The premiums are substantial so we do not believe there will be a great influx of enrollees. But for those retirees who find that they cannot use their TRICARE benefit this could be a life saving option.

NATIONAL GUARD AND RESERVE HEALTH CARE

First we would like to thank the efforts by the office of Secretary of Defense and TRICARE Management Activity for revising Health Affairs Policy 96-018. These changes made to TRICARE Prime allow families of activated Guardsmen or Reservists to be eligible for TRICARE Prime when the military sponsor has active duty orders for more than 30 days. This revision also allows the family to enroll without enrollment fees or co-payments.

Changes made to the TRICARE Prime Remote for Active Duty Family Members program allow the families, of activated Reserve and National Guard, Prime Remote coverage, no matter where the sponsor lives as long as they resided with the service member before he or she left for their mobilization site or deployment location, and the family continues to reside there.

We further would like to thank this committee, for its ongoing oversight of and dialogue with OSD on the mobilization of members of the Reserve Component, and the care of their families.

However, additional changes are still needed.

Mobilized Health Care

Medical Readiness of Reservists.

The number one problem faced by Reservists being recalled was medical readiness. The government's own studies indicate that between 20-25% of Reservists are without healthcare plans. Further study will show that another group is under insured. Congress needs to recommend a healthcare coverage for Reservists that could bridge this medical gap.

A model for healthcare would be the TRICARE Dental Program, which offers subsidized dental coverage for Selected Reservists and self-insurance for SELRES families. Reservists pay \$8.14 per month for an individual's enrollment and \$50.88 per month for a family enrollment. If mobilized to active duty for more than 30 consecutive days, the costs will be \$8.14 for a single enrollment and \$20.35 for a family enrollment. Members of the Individual Ready Reserve (Other than Special Mobilization Category) and their family members, and the family members of the Selected Reserve (not on active duty) will pay a new monthly rate of \$20.35 for a single enrollment and \$50.88 for a family enrollment.

In an ideal world this would give universal dental coverage. Reality is that the services are facing some problems. Premium increases to the individual Reservist have caused some of the more junior members to forgo coverage. Dental readiness has dropped.

Mobilized members have been "readied" by tooth extraction rather than tooth filling. The Military services are trying to determine how best to motivate their Reserve Component members. It's hard to make dental coverage mandatory if the Reservist must pay even a portion of it.

Position: The National Military Veterans Alliance supports utilization of Guard and Reserve Dentists to examine and treat Guardsmen and Reservists who have substandard dental hygiene. The TRICARE Dental Program should be continued, because we believe it has pulled up overall Dental Readiness. Medical coverage plans should be explored to insure universal medical coverage for Guardsmen and Reservists; Reservists and their dependents should be allowed to join TRICARE.

Inoculations

Anthrax and Smallpox vaccines have a risk of side affects. Members can be impacted several days or weeks after inoculation.

Position: The Alliance would like Reserve Component members to have access to Military Treatment Facilities or compensation for civilian health care if complications occur following inoculations received on drill weekends. Should serious complications arise, the member should be placed on active duty for the duration of the treatment.

Prescriptions.

Mobilization policy requires a Reservist to bring a 90-day supply of a prescription. Many healthcare plans will only pay for a 30-day supply, causing the member to pay out of pocket for the additional 60-days.

Position: TRICARE standard should refill an existing prescription for mobilized Guardsmen and Reservists.

Family coverage

The TRICARE Reserve Family Demonstration Project corrected a number of Healthcare issues following Sep 14, 2001, but....

- A. This project has a published termination date of 1 Nov 2003.
- B. Only covers members activated under Executive Order 13223.

Position: The National Military Veterans Alliance hopes that successful changes will be made permanent, and no member of the Reserve Component is excluded.

Continuity of Healthcare Service

There is a continued need for access to personal healthcare providers. Mobilized Reservists with orders of 30 or more days are placed on TRICARE standard. Their families must re-establish new doctors within the TRICARE system. When demobilized

they will have to return again to employer healthcare, where ties with doctors must be re-established.

Position: Family healthcare continuity can be disrupted by mobilization. Specific treatment or care may be "jerked" between medical practitioners. To change providers is unfair. Congress should explore extending employer health plans; or extending TRICARE coverage during a period of demobilization.

Some Options

The Department of Defense has a model program extending FEHBP coverage to mobilized employees where basic employees premiums are paid. Other federal agencies can adopt this policy on an agency-by-agency basis but this policy is not uniform across all federal agencies.

Position: As an option to TRICARE standard, the Alliance would like to see the government pay equivalent premiums directly to private employers if these companies choose to extend health coverage to the Reservist as an option.

Demobilized Health Care

Under the revised transitional healthcare benefit plan, Guard and Reserve who were ordered to active duty for more than 30 days in support of a contingency and have more than six years total active federal service are eligible for 120 days of transition health care following their period of active service. Guard and Reserve members with less than six years service will get 60 days of continued medical care. Families were excluded from this coverage. An initial fix was a worldwide demonstration project, which permitted family members also to be covered under this plan.

Position: While 75 to 80% of returning Reservists will have healthcare when they return to their employers, the balance will be without healthcare beyond the current 120 or 60-day limitation.

A. There should not be a demarcation at six years between 60 and 120 days. The jobs performed by the Reserve Component members were identical; their demobilization healthcare coverage should be identical.

B. Demobilization transition TRICARE coverage for the post activated Reserve Component members should be expanded. A civilian is allowed up to 18 months of coverage under COBRA when transitioning between jobs. Military should be permitted the same.

Further: The National Military Veterans Alliance supports OSD efforts to ensure the quality of demobilization processing. Each returning Guardsman or Reservist should be given a benchmark separation physical to document their health as they return from the "battlefields."

CONCLUSION

Mr. Chairman and distinguished members of the Subcommittee the Alliance again wishes to emphasis that we are grateful for and delighted with the large steps forward that this Committee has sponsored the last few years. The new health care programs for Uniform Service retirees 65 years and over (TRICARE for Life and the Senior Pharmacy) and active duty members and their families (TRICARE Prime Remote and the reduction of the catastrophic cap) have been great successes. But there still is work to be done to improve health care programs for all qualified beneficiaries. The steps forward have occurred because of this Committee's expertise and concern. The Alliance is sure that with your support further improvements will occur. We are very grateful for the opportunity to speak on a subject of crucial concern to our members. We would be happy to answer any questions you may have.

STATEMENT OF

The Military Retiree Grass Roots Group

Health Care White Paper Group

Before the

Committee on Armed Services
Subcommittee on Total Force
United States House of Representatives

Presented By

LTC David B. Vann, USA, Ret
Member Military Retiree Grass Roots Group
5535 Hempstead Way
Springfield VA 22151-4094

27 March 2003

Perspectives on
Military Health Care Program

David Vann, Lieutenant Colonel, U.S. Army (Retired) has been a member of the Military Retiree Grass Roots Group since it began in 1996. He became a military health care advocate after his wife was diagnosed with a very rare brain tumor. Raised as a military dependent, he has been a user of military health care for more than 60 years. In 1960 he enlisted in the Army at age 17 and graduated from the United States Military Academy in 1965. As a Vietnam combat veteran he served in command and staff positions with the 1ST ARVN Division. He has extensive leadership and management experience at all levels of Defense Logistics, including requirements analysis, systems design, and program management. He received an MS in Logistics Management from Florida Institute of Technology. His last assignment prior to his retirement was logistics officer for the Corps of Cadets at West Point. Among his military awards are the Bronze Star and the Combat Infantry Badge, which he prizes most. He is married with three daughters, two of whom have also graduated from the United States Military Academy.

Disclosure

The Military Retiree Grass Roots Group (MRGRG) is an *unfunded* informal organization of military retirees from across the nation founded for the purpose of restoring promised and earned health care. It has never received a grant from (and/or subgrant) or a contract (and/or subcontract) with the federal government.

Introduction

Mr. Chairman, and distinguished members of the House Armed Services Committee's Subcommittee on Total Force, I would like to thank you for this invitation to appear before you and present a summary of our concerns and recommendations. I am speaking as a member of the health care White Paper Group, on behalf of many members of the MRGRG. The MRGRG represents thousands of retirees, active duty families, reservists, and others who are connected to our network. We were formed for the purpose of improving military health care. Congressional interest based on MRGRG efforts, together with the stellar work by the Associations represented here resulted in TRICARE for Life (TFL). We hope that together our efforts will continue to result in the additional permanent and fundamental changes to military health care that are desperately needed.

Our testimony is based on personal experience and research. Our collective knowledge is documented in what we call the "White Paper", produced as both a written study and CD-ROM. We received no "official" assistance in creating either that document or this testimony, and all the data provided was obtained from public domain sources. Here is a copy, and I have additional copies for members who were not here last year when we visited all 535 congressional offices with both our letter requesting support and a CD like this one prepared by a disabled Sgt. Major in Missouri. We also provided a printed copy of our study to all members. May I ask that a copy be provided for the record?

It is the only comprehensive analysis of military health care from the user perspective we have been able to find. Our written framework with supporting documentation for action would guarantee military families the affordable health care that was earned and expected, but is not being provided by the TRICARE system. We have focused primarily on TRICARE Standard, the most neglected of the TRICARE program features. Problems with that system are described extensively, as well as the recommended solutions, which include TRICARE improvements, FEHBP as an option, and funding.

We deeply appreciate the past work of Congress to help MEDICARE beneficiaries with TRICARE FOR LIFE (TFL) and improvements for those currently on active duty and their families. Further, we thank you for requiring the use of standardized MEDICARE procedure codes in the future for all of us. This will help clarify claim submissions. I hope my testimony will encourage your attention to the one group that has not seen any measurable improvement in their health care benefits since the implementation of TRICARE in 1995, the retirees and families under age 65--most of whom do not have access to TRICARE Prime or FEHBP.

Overview

When the Department of Defense developed and implemented a new health care program, the most fundamental change was replacing the reasonably successful *non-profit* system called CHAMPUS with the *for-profit* system called TRICARE. The rationale was based solely on reducing costs to the government. The results of that change can be seen today with significant restrictions on choice, access, and cost. Other problems remain which can no longer be dismissed as growing pains from the TRICARE experiment. We have seen no evidence to demonstrate that TRICARE was successful in its primary goal of cost reduction, although we know service has declined significantly. While the contractors continue to show profitability, we also know that, regardless of any government cost reduction, costs have risen, often significantly, for the beneficiary. Contracting out of health care was significant since it removed from the uniformed leaders of the Armed Forces their ability to carry out one of their most important responsibilities -- the ability to provide for the health care of active, retiree, and reserve service members and their families.

CHAMPUS was generally regarded as successful by the user. The same is not true of TRICARE. TRICARE introduced stringent managed care features, new rules and guidelines and Fee-For-Service (FFS) constraints. Contracts for TRICARE administration were very different in each region of the country and abroad. CHAMPUS had been universally accepted and understood; TRICARE was rejected by many of the same health care providers who previously accepted CHAMPUS. This degradation of access began as early as 1995, when during the Christmas holidays some of our grassroots associates who were receiving services under CHAMPUS, received notice from their family physicians that they would not be seen under TRICARE. In general, we have found that more doctors reject TRICARE than MEDICARE, and that TRICARE reimbursement rates are lower than MEDICARE. That is true in some cases in Fairfax, Virginia.

DOD's focus on improvements has been directed primarily at the HMO, TRICARE Prime, to the near exclusion of TRICARE Standard. TRICARE Standard is the plan used by nearly half of all beneficiaries and is the only plan available for many of them, mostly retired members. Yet it is the most in need of government attention. For many who relied on military facilities closed by the Base Realignment and Closure Commission, their only health care choice is TRICARE Standard, which clearly increases individual cost, limits access, and reduces health care options.

The "reduction" in government costs, intended for TRICARE, was accomplished by "shifting" the expenses to beneficiaries, for example increased copayments and decreasing services previously covered. Consequently, the amount of health care that could be purchased was decreased in order to pay for contract costs and profits and the new management bureaucracy. Contractors now determine almost every aspect of military family health care. Because of increases in both beneficiary cost and the number of TRICARE Standard users, a cottage industry of TRICARE health care supplements was born, further driving up beneficiary out-of-pocket costs. Many lower grade retirees could not afford these new supplements for themselves and their families, and often were driven into great financial difficulty. TRICARE's answer to these families was the creation of Debt Collection Assistance Officers (DCAO) to help them deal

with mounting financial debt. One widow of a Vietnam veteran and military retiree was completely wiped out by medical debt when her 52 year old husband passed away from Agent Orange-related illnesses. Five-figure and six-figure debt for both active duty servicemembers and military retirees exists.

TRICARE and its options are not available to everyone. And most of us cannot even get TRICARE Prime as a "choice" as we live too far away from military hospitals. When TRICARE Standard is the only option, providers are often not available in the specialties needed, and sometimes no providers are available. In those cases we pay the entire bill at time of service, not a co-payment which is typical of other federal health plans. Our people have had some major financial surprises at times, solved only temporarily by going into debt. Although TRICARE providers may be in the area, they often may not be taking new patients.

As both taxpayers and beneficiaries, we have serious concerns about the high costs of TRICARE. As taxpayers, we are concerned that the General Accounting Office found that the per capita cost of the military health care system is *23% higher than that of the FEHB program*. As beneficiaries we are concerned that the expenditures of the military health BENEFIT we earned are not identified and kept separate from the cost of the military health care SYSTEM (the readiness mission, research and development). As both beneficiaries and taxpayers we are also concerned that the money Congress appropriates for retiree health care is being used for contractor profit rather than being applied for our health care. Many people believe that the DOD's military health care cost problems should have been solved by adopting the already existing FEHBP program, used for all other federal employees. Use of the existing OPM FEHBP could offer tremendous savings in DOD overhead and multiple layers of management associated with administration of TRICARE at all levels.

Congress expressed its "intent" as early as 1966 that military retirees and their families should be provided health care coverage equivalent to Blue Cross/Blue Shield High Option program at less cost than for federal civilians, in recognition of the lower basic compensation and career sacrifices of military personnel. However, DOD overlooked that intent in the design of TRICARE Standard. That intent forms the basis of our recommendations for TRICARE improvements and FEHBP as an option.

Recent official surveys indicate 46% of active duty military family members are dissatisfied with military health care. Although there is no survey on the retired population, our extensive contact with the retired community of ALL Grades has led us to believe for many years that the numbers are much higher for retirees and their families under age 65. We need BOTH fixes to TRICARE Standard and the OPTION to participate in the Federal Employees Health Benefit Program at an affordable rate.

RECOMMENDATIONS

The TRICARE system is not consistent with the principles of the President's Health Care initiative. It excludes choice of health care plans, denies access to doctors, and is expensive for users and the government. In addressing these and other problems of ACCESS, CHOICE, and COST, we developed three centerpiece areas where we need legislative action. First, we believe *immediate improvements* are needed to TRICARE, primarily *TRICARE Standard*. Second, we proposed that an affordable *option* to participate in *FEHBP* is needed for military retirees. Third, we believe *funding* for military health care for retirees should be *moved from the DOD readiness accounts* into a *trust fund*, as was done for TFL, similar to what is done for federal civilian retirees. Our following recommendations represent a comprehensive health program for military retirees at an affordable cost.

1. IMPROVE TRICARE STANDARD

TRICARE Standard, the source of the major problems and beneficiaries dissatisfaction, is the DOD health care program that affects the vast majority of military retirees under age 65 and many active duty, Reserve, and Guard families, a potential beneficiary population of 4 million people. Those who are satisfied with TRICARE are primarily the 85% of the active duty population in good health and using the TRICARE Prime HMO, where DOD places its funds and emphasis.

Beneficiaries, especially retirees, face significant problems in provider access/choice, communications, and claims and benefit administration, which affects cost, quality, and reliability. GAO reports document many systemic problems and the AMA has expressed concern. Our documented problems complemented their findings. We hope that our recommendations will help the effort to make TRICARE a viable program. The breadth of MRGRG support enriches the understanding of problems as viewed by TRICARE users and medical providers. Our concerns also included readiness and the resultant impact upon recruiting and retention--and therefore the nation's security.

We believe the management focus needs to be on TRICARE Standard since it has been largely neglected, even in such important documents as the Annual Stakeholders Report, which clearly emphasizes TRICARE Prime. For three consecutive years the widely used TRICARE Standard program was not even mentioned. We believe specific disclosure about how much is being spent per beneficiary eligible for TRICARE Standard would be useful for senior management and Congress. Without the benefit of these disclosures it is difficult for anyone to evaluate success of the largest program in TRICARE.

A. TRICARE ACCESS/CHOICE

Access to medical providers who accept TRICARE and the ability to select medical providers of choice continue to be a significant problem. Retired and active duty families in some areas have no viable health care options because doctors refuse to participate in TRICARE. This is a source of embarrassment to the nation, and should be at the very top of the congressional agenda for action.

1) Eliminate the Non Availability Statement (NAS) for TRICARE Standard

TRICARE Standard participants pay for the expressed purpose of having choice of doctors. Elimination of the NAS would make TRICARE Standard a true fee-for-service plan as advertised. Use of the NAS is appropriate as an HMO tool and should be restricted to the HMO pool of TRICARE Prime participants. NAS compels unwilling patients under the age of 65 to use military treatment facilities (MTF) for surgery, when they live within the 40 miles "catchment area" for an MTF, and even greater distances for specialized treatment when the need for choice is greatest.

We note that testimony by the Military Coalition last year presented a clear and compelling case for elimination of the NAS and its associated waivers. We fully support that effort.

Continued use of the NAS in TRICARE Standard cannot stand a test of logic. While TRICARE was patterned after the civilian health care system, the NAS was retained as a feature unique only to the military system. Design of the TRICARE system with its fee-for-service option carries with it an obligation of offering the beneficiary a choice of providers in exchange for higher copayments and deductibles, which results in the need to purchase supplemental insurance. Continued use of the NAS is tantamount to renegeing on that obligation to offer choice and presents a dilemma of perennial uncertainty to patients whenever surgery is anticipated, since both TRICARE and expensive supplemental insurance reimbursement will not be authorized without the NAS.

Ironically, the NAS has been eliminated for the HMO, TRICARE Prime, who may use a point of service option outside the MTF. But the TRICARE Standard patients MUST obtain the NAS, which has recently become more restrictive and shows a total disregard of the patient.

As current regulations state, DOD may waive the NAS if:

- The Secretary demonstrates that *significant costs would be avoided* by performing specific procedures at the MTF
- The Secretary determines that a specific procedure must be provided at the affected MTF to *ensure the proficiency levels of the practitioners at the facility*
- The lack of an NAS would *significantly interfere with TRICARE contract administration*

However, the waiver authority is so liberal that the practical effect of the waiver authority is to grant carte blanche authority to MTFs to deny NAS requests routinely and arbitrarily when the MTFs are underutilized. Rather than seeking patients through other means or simply closing the facility if demand for its services do not exist, the NAS remains in full force.

We feel any connection of the NAS to readiness or graduate medical education (GME) requirements in TRICARE Standard is specious and cannot stand the test of careful

public scrutiny. While servicemembers are expected to forego medical choices in the interests of readiness, retirees and dependents should not. GME should not be rooted in reliance on fee-for-service patients and should seek other alternatives. Resource implications are negligible.

DOD has wisely waived the need for Guard and Reserve family members to obtain the NAS, offering the medically sound rationale, "We're not going to get in the way. We will allow you to continue seeing providers you know." **That same medical rationale—continuity of care—should be applied to all beneficiaries.** It would bring the military in line with two key features of the President's Health Care initiative, choice and continuity of care.

The committee should be aware of the unintended consequences of retaining the NAS. I offer my personal experience of my wife's brain surgery as an example documented in Exhibit 1.

2) Increase provider reimbursement rates

Because TRICARE Standard reimbursement rates are determined by a completely different methodology than the one used for MEDICARE, the rates of reimbursement are different, and in many cases LOWER for TRICARE Standard than for MEDICARE. We have gathered sample evidence that showed even locally in Northern Virginia, 6 of 9 reimbursement rates for the procedure codes by one doctor's offices were LOWER for Standard than for MEDICARE. The same is true in other areas, but comparisons are difficult because of the reluctance of some owners of the data to release those rates. Doctors are well aware of the disparity, and are typically quite willing to state their dissatisfaction with TRICARE Standard reimbursement rate policies. **Reimbursement rates have fallen so far below the original Congressional intent, that the program simply does not pay enough to attract doctors. The low rates, combined with provider billing and payment frustrations, makes TRICARE not cost effective. We believe it is important for the Congress to understand our perspective that MEDICARE, fraught with all its problems of concern to this body, is better than TRICARE Standard in many areas. Doctors and hospitals confirm that assessment. We believe any surveys conducted by DOD to determine why TRICARE provider participation rates are so low should include not only beneficiaries, but equally important, the providers who currently do not accept TRICARE.**

3) Establish a comprehensive, defined health benefit

TRICARE Standard does not include dental, vision, chiropractic, physical exams, and other services common to other health plans. MEDICARE, for example, now includes chiropractic care, recognizing its value in both a preventive and healing capacity. Retirees are subject to recall, yet they are denied even a basic physical exam needed to maintain the health readiness. Yet, many of these same benefits are provided, to some degree, in every health plan afforded federal civilians.

B. MANAGEMENT AND ADMINISTRATION

Additional areas we found which merit attention are *benefits* that were reduced significantly when TRICARE was introduced, *claims administration*, and the lack of any *communication/information* to TRICARE Standard beneficiaries. While TRICARE marketing information is extensive, routine communication on a periodic basis is non-existent. An assessment needs to be conducted concerning what information beneficiaries need and whether that information is being provided to all. Improved two-way communication between TRICARE and its beneficiaries is an essential part of making the system accessible and responsive to the user.

1) Eliminate enrollment fees for retirees.

The promise of free lifetime health care continued to be made as recently as the mid-1990's. When TRICARE enrollment fees were instituted that promise was broken for all retirees who use services of a military treatment facility. We believe the enrollment fees for retirees who select or can access TRICARE Prime should be eliminated.

2) Adjust TRICARE Standard in-patient cost sharing between the patient and DoD to more realistic levels.

Military retirees find it essential to purchase expensive supplemental insurance because of the extremely high TRICARE inpatient cost-sharing arrangements (lesser of \$417 per day or 25% of billed charges, plus 25% of allowed professional fees.) The need for such insurance in cases of hospitalization is the primary reason for supplemental insurance policies, yet they are not needed for FEHBP plans because the cost sharing is much less. We believe the costs of that supplemental insurance could be eliminated or mitigated by reducing the cost sharing between the patient and DoD to reflect FEHBP cost-sharing arrangements of unlimited days, \$100 maximum co-payment per day per admission, and especially by including a \$500 cap per admission.

3) Raise co-pay levels for TRICARE Standard/Eliminate deductibles.

Retiree co-pay levels for TRICARE Standard should be returned to CHAMPUS levels of 80% without deductibles, which is also in line with FEHBP copayments. Elimination of the deductible would reduce high up-front costs.

4) Eliminate pre-authorization for TRICARE Standard.

Current national private-sector managed care trends eliminate unnecessary administration such as pre-authorization. It would also be consistent with Medicare/Medicaid trends. Timely scheduling of needed appointments would remove the patient from an inappropriate technical role in a doctor's treatment plan. It would also eliminate administrative costs and significant frustration. Currently pre-authorization is a disincentive to participate in TRICARE.

5) Reinstate "coordination of benefits" and eliminate the 115% billing limit.

TRICARE Standard beneficiaries with other health insurance from private employment may forfeit their TRICARE benefit if the other health insurance pays an amount equal to or higher than 115% of the TRICARE allowable charge. We believe that, since the

medical benefit was deferred compensation earned by military retirees, the earnings should be available as for federal civilians. One of the options for use of the earnings should be, as in the past, "coordination of benefits." The residual share of bills unpaid by other health insurance should be paid by TRICARE, up to the amount of the TRICARE allowable charge less the costshare that would have paid by the first payer.

6) Establish a system that prevents balance billing at time of service.

The problem of "balance billing" is one that affects both active duty families and retired families, and represents a significant financial burden that Congress did not intend. Beneficiaries are often required to pay the total bill at time of service, with no idea of the approved TRICARE rate. These providers in many cases simply do not want to deal with TRICARE. They consider TRICARE slow, unresponsive, and difficult to deal with, and prefer to place the burden for claims processing entirely on the patient. We believe it is essential for Congress to establish legislation that would remove the requirement for users of TRICARE to have to pay up front for care. Servicemembers are simply not paid at such a level as to carry high debts for medical care.

7) Develop an automated system with an audit trail.

This would reduce cost to the beneficiary and the provider and provide a means of accurate claims tracking from date of receipt to final processing. Any reprocessed claims should retain the original claim number. The automated system should include a means for the beneficiary to input information needed for claims processing. Claims processing by fax capability should be an option.

8) Provide DOD claims ombudsman/fair claims appeal mechanism.

There is no independent advocate for the beneficiary during the claims process. Currently the burden is solely on the patient with total control of the appeals process by the TRICARE contractor.

9) Establish a single DOD-administered source responsible for official questions and problems independent of TRICARE contractors.

There is no single, official source of TRICARE information that the beneficiary can use to make informed decisions BEFORE incurring expenses for health care. We believe a single, responsive, authoritative source should be established for answering questions about costs and benefits to military families. The current mytricare.com website provides only unofficial answers to questions that demand official answers because of financial and legal consequences.

Customer satisfaction is currently determined by random sampling questionnaires solicited months after patient visits. Routine timely DOD surveys of both providers and beneficiaries are needed to enable early identification of systemic problems. Rather than from contractors, comments and data directly from TRICARE beneficiaries and healthcare providers should be used to provide a valid assessment of customer satisfaction. A quality feedback mechanism independent of contractors is essential. Results of that feedback and action taken should be made public.

The following quote from page 63 of the TRICARE Handbook sums up retirees' fears, frustrations, and lack of confidence in TRICARE ability to provide users with specific coverage before the claim is submitted: *"Remember: Just because your military or civilian provider tells you that you need certain care doesn't mean that TRICARE can help you pay for it. If you're not sure whether TRICARE covers a service or supply, contact your Beneficiary Counseling and Assistance Coordinator (BCAC)/Health Benefits Adviser (HBA) your TRICARE Service Center (TSC) or your regional TRICARE Managed Care Support Contractor (MCSC). They can advise you about covered services, but can't guarantee that TRICARE will share the cost. **That determination comes later, after the claim has been submitted.**"* (Emphasis added)

Nothing is more frustrating to any health care beneficiary and medical provider than poor claims service and inadequate clarity of coverage protection. The TRICARE claims experience could be improved significantly by bringing coverage protection in line with the industry best practices and increasing the level of responsiveness to its members and medical providers. The problem resides primarily with TRICARE Standard claims processing, though the complex nature of the TRICARE contracts makes claims processing a challenge for ALL beneficiaries.

10) Standardize essential practices across all TRICARE regions and worldwide for active duty, retiree and eligible Guard and reserve personnel.

Portability of health care and worldwide reciprocity in the health care system is essential, especially for active duty families required to move frequently. The goal should be a seamless worldwide military health care system for all. Consolidation of TRICARE contracts is a slight improvement for some areas, but there will still be different practices and coverage nationwide and overseas. Most important, the decisions affecting military health care are dependent upon the *government* contracting process, *not an insurance plan*. There is no mechanism to inform beneficiaries of daily contract changes that will affect their coverage, to include the effective date of the changes.

11) Publish an annual Health Benefits Summary and Stakeholders Report for every military family/retiree in TRICARE Standard with the specific information, requirements, and services offered for each Region to include overseas.

Information is needed which allows users to learn policy and procedures and would reduce frequent user and provider inquiries, reducing the "hassle" factor. There is currently no mechanism to communicate with Standard users about their health care. Recent theft of private medical information in one region pointed to the need for immediate notification to all beneficiaries to preclude possible identity theft. The members of our group have gone nearly five years with no official communication from DOD about their health plans. We believe there should be an annual enrollment period for TRICARE, as in FEHBP, with appropriate current information provided to all beneficiaries about their health care, and the options that exist.

2. FEDERAL EMPLOYEE HEALTH BENEFIT PLAN (FEHBP)

Military retirees and families under 65 have no choice such as that offered to other federal employees under FEHBP. Their only option is an expensive, for-profit, contractor-operated, government managed care PROGRAM, TRICARE. TRICARE does not guarantee either health care or a choice of plans. For example, unlike FEHBP, no fee for service health care plan is offered to military retirees and families under the age of 65. And, there is no civilian HMO option available to many military retirees who might choose that option.

Providing FEHBP as an option to military families is the cornerstone to establishing badly needed competition with TRICARE contractors. It is also crucial to establishing needed access and choice. In areas where TRICARE is unable to provide adequate service to the beneficiary, an FEHBP option would at least permit beneficiaries to have access to doctors who reject all aspects of TRICARE. Although our proposal would for the first time require premiums to be paid by military retiree families, it would at least offer an alternative in areas TRICARE fails to serve. FEHBP has been cited by the President and by the Breaux/Frist task force as a model for the President's Health Care initiative, and his basic principles of providing ACCESS and CHOICE at an affordable COST.

For example, several years ago one of our members in Idaho indicated to his military association a need to cancel his TRICARE supplement since he could find no doctor for his wife's needs who would accept TRICARE. His wife's doctor had decided not to participate in TRICARE any longer for many reasons, including low reimbursement rates. The member's TRICARE supplemental insurance policy was therefore of no value since he could not find another doctor who would accept his wife as a patient, and who was willing to accept the TRICARE rates of reimbursement. As a military retiree his wife was faced with no health care she could use despite his 26 years of service. At the same time, his wife's mother, living with them and a retired federal civilian employee, had absolutely no problem with the same doctor using her FEHBP policy. *Clearly, FEHBP is a natural alternative and is a proven success story which would require no additional expensive testing, especially with the valuable experience gained from tests conducted several years ago which should provide the basis for a smooth transition.*

During our visits to Capitol Hill offices last year, we asked repeatedly if the hardships of military services justified FEHBP at lower cost for military retirees, since their active duty pay was depressed based on the rationale that health plans were not needed. We found near universal agreement with the intent expressed by Congress in 1966 when CHAMPUS was created to be equivalent to BC/BS HIGH OPTION at a lower rate at a lower cost than for federal civilians. Consequently, any FEHBP program proposed today should also be provided at an affordable rate for military families.

THE BASIC AFFORDABLE PROPOSAL: We believe that any proposal must be affordable to both the Congress and to the individual, and that it can be achieved largely within current resources. Congress has already enacted a prescription drug benefit for all military retirees and that highly successful program should be continued. Our FEHBP proposal would use the existing plans for FEHBP for basic health care, less the drug feature of those FEHBP plans, and combine it with the existing DOD Pharmacy Program. We consider such a proposal particularly

attractive since both FEHBP and the DOD Pharmacy Program are already proven success stories. The drug program is already working for retirees, and Congress is already paying for the costs of drugs as part of the basic TRICARE benefit. That is one of the most successful parts of the DOD Health Care program. By continuing the prescription drug benefit as it is, and adding only the doctor and hospital care portion of the existing FEHBP programs, those programs can be offered at a reduced rate of about 30%, which represents the approximate amount now in FEHBP premiums for prescription drugs.

Legislation to extend the FEHBP to military retirees was considered in both houses of Congress in 2000, 2001 and 2002. Although 315 House members co-sponsored H.R.179 and 13 senators supported S.278 companion legislation during the 107th Congress, it was not enacted. The reason provided by several military associations was that a small portion of the legislation for WWII retirees was believed to be too expensive. That obstacle no longer exists since Congress granted the TFL benefit, although a very small portion of those over 65 may prefer to choose FEHBP as an option. Unless FEHBP is offered, the only remaining option for hundreds of thousands of military families is the failing TRICARE program, characterized by one member of Congress as the worst HMO in the nation.

Offering the FEHBP option to all retirees would provide significant progress toward a comprehensive military retiree health benefit and eliminating the TRICARE problems of access and choice.

3. ENTITLEMENT

Overall funding for TRICARE is uncertain each year because it is provided in the Operations and Maintenance portion of the budget. As a result, the level of care is not only subject to annual appropriations from Congress; it depends upon DOD operational decisions unrelated to earned benefits of retirees. TRICARE funding, especially for TRICARE Standard, is of necessity low priority compared to immediate readiness needs of our deploying forces.

Health care for military families simply does not compete well with the immediate needs of national defense, regardless of past promises made and service of at least twenty years on active duty. It is for this reason that we propose, as was done for TFL, that funding for military retiree health care be placed in a trust fund not subject to readiness considerations, and placed in the entitlement portion of the federal budget. This should not be a budget increase. We believe DOD should welcome the option to place funding for military retirees in that account at the same level as is provided for federal civilian retirees, less the amount set aside for the prescription drug program now offered to all eligible military retirees.

Public Law 106-398 created TFL as a funded MEDICARE supplement for 800,000 of the 1.9 million military retirees. Since that funding is now considered in the "entitlements" section of the federal budget, we believe that is a good precedent to establish a funding model for civilian health care for the remaining military retirees and families under age 65.

The many official promises made to career military personnel concerning their lifelong health care are well documented. The fact that those promises made to nearly all existing retirees have

not been kept is currently a matter of earnest and sobering concern to all, including those considering a lifetime of military service. The value of those promises has been specifically established in annual Personal Statements of Military Compensation at the direction of Congress. This was called indirect compensation, and was part of what was explained as "deferred compensation". In fact, the official Statement of Military Compensation provided in January of 1991 specifically stated that "there is no need for you to carry medical insurance available to civilians ranging from no cost to all cost for the employee." In 1991, it was said the value of that compensation "saved" me \$5198.00.

Assuming very conservatively that inflation has caused the value of that compensation to double in the past twelve years, it is reasonable to state the worth of that medical care as at least \$10,000.00 a family. Our legislative proposal would transfer that funding to a trust account separate from the TFL costs. The funding would then be made available to those who earned it for use in choosing the health plans that suit them best, as is the case for retired federal civilian employee retirees.

We believe the American public generally has the false impression that military personnel and their families have continuous and adequate free health care through their military careers and retirement. Our members frequently find that friends and neighbors tell them they thought all military people had lifetime free health and dental care. They are genuinely surprised when we tell them we have absolutely no government funded dental care. They are still more surprised when we tell them we are paying as much or more than they are for TRICARE Supplements, deductibles, copayments, and items that are covered in their own and most FEHBP programs for federal civilians.

Conclusion

I would be remiss not to take a brief moment to attempt to bring to your attention the depth of feeling we have witnessed surrounding the uncertainty among the retired community who have been left behind as a result of their reliance on TRICARE. That uncertainty largely centers on the meaning to retirees of today of the phrase "keeping the health care promise". We believe that uncertainty would be eliminated if the meaning of that promise were documented by Congress. It is noteworthy to recognize that among military retirees there is no "greatest generation" since we all bleed the same blood, for the same country, for the same freedom--just at a different hour. The same health care promise was made to the Vietnam generation and those who followed as recently as the last Gulf War. We are certain our fellow citizens agree that failure to honor that promise impinges on the honor, dignity, and respect of military retirees who were promised more for noble service and impacts on our nation's ability to attract and retain military manpower in the future. We hope that our recommendations will help avoid that same uncertainty for those soldiers, sailors, airmen, and Marines now in the sands of the Middle East who stand firm ready to keep their promise.

The good news in today's world of constrained resources is that our group believes that much of what we propose in TRICARE improvements, FEHBP, and entitlement is achievable within current resources. We genuinely hope that our efforts will help to achieve better health care for all military and their families.

Outstanding and comprehensive information about problems with TRICARE are at three web sites, which provide extensive facts from TRICARE participants, former surgeons general, GAO reports, governmental sources, and others:

1) Military Health Care Reclamation Group (MHCRG) at: <http://rebel.212.net/mhcrgr/>

2) TRICARE- Now the World Knows at:
<http://www.militarybenefits.org>

3) TRICARE Survey at:
www.moaa.org/Legislative/TricareSurvey2003/survey.asp

Thank you for the privilege of appearing before you today. I would like to acknowledge the members whose collective expertise formed the basis of the White Paper and this testimony.

Colonel John M. Vann, USA,Ret
Major Pete Peterson, AUS,Ret
Colonel Jim Engelage, USA,Ret
MSGT Jim Whittington, USA,Ret

LTC Douglas Dukes, USAF,Ret
SGM Floyd Felts, USA,Ret
LTC Tom Dooley, USA,Ret
MSGT Floyd Sears, USAF,Ret
CPT Ed Lawton, USAF,Ret

Exhibit 1 Non-availability Statement (NAS)-Personal Story

I can assure you that NOTHING in my entire military career, including combat, was more degrading to my service to my country than the weeks I spent several years ago seeking the NAS immediately after discovery of my wife's very rare brain tumor. Our otolaryngologist stressed the dangerous location of the tumor near the brain stem. He emphasized the importance of immediately seeing the recommended neurosurgeon, the only one in the area with the required extensive experience. Our neurosurgeon urged us to schedule the surgery soon because of the tumor's size and location, symptoms of mild stroke, and to allow enough recovery time before our daughter's wedding. After discussing the surgical options with the neurosurgeon, who gained our complete confidence, the most trying experience of our lives began.

Rather than the freedom to focus on proper treatment for my wife, we spent the ensuing weeks in the military medical bureaucracy quite on our own with what was considered "my" NAS problem, with the tumor becoming secondary. While simultaneously going through the typical emotions of such a crisis (including financial and legal preparations), and the stark reality of facing perhaps the last few weeks on earth with my wife of 36 years, we bore the inconceivable additional burden of worrying about how to prepare a NAS request that would allow us to continue using our chosen doctors. Guidance consisted solely of telling us to "Prepare a letter", which I hand carried to the MTF. Without seeing any medical staff, my letter was returned to me with an explanation that the surgery could be performed at the MTF with no other choice; therefore the NAS request was denied.

We received advice from countless military friends, even senior uniformed folks, to retain a lawyer for the process, "take it to the media", and other such actions which I rejected and elected to appeal the situation in every other way possible. It was in no way reassuring to hear senior medical personnel tell us, "We'll take good care of you, it is just the system we have to live with". At one point, I made it clear to the military medical community that I would rather forego my entire life savings than undergo surgery from an inexperienced doctor for this type of rare tumor. My wife made it clear that she would sooner die than have the surgery in the MTF. Eventually we received the NAS, presumably because it was medically inappropriate. Since that time "medically inappropriate" has been eliminated as a waiver criterion, making it nearly impossible to receive the NAS. Since use of the NAS continues as even more restrictive, I am commenting publicly now on behalf of all servicemembers and beneficiaries.

We do not disparage military doctors, for they are dedicated and in most cases very capable. In fact we have had great respect for them over many years. My wife has had two children and three additional surgeries (two of them with complications) in the military medical system. This was the one time she said NO. *Military doctors privately concede their contempt for the NAS, for they do not want unwilling patients. The AMA has seriously questioned its use.*

Incredibly, though I had chosen what was called a fee-for-service plan, I found that without the NAS, I would receive NO reimbursement for the entire surgery and associated expenses from either TRICARE or my supplemental insurance.

It is one thing to send me to war and ask me to give my life for my country. You couldn't pay someone enough for that honor. But it is quite another to force my wife to make the same sacrifice for graduate medical education. We had chosen a plan that offered choice and was widely marketed as "giving your family unparalleled protection for inpatient and outpatient care at both military and civilian hospitals with the DOCTOR OF YOUR CHOICE". *Servicemembers and retirees view the protection of their family as important as the protection of their country. Retaining the NAS in any form does nothing to advance either.*

David B. Vann, LTC, USA, Ret.

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Total Force,
Committee on Armed Services, House of
Representatives

For Release on Delivery
Expected at 1:30 p.m.
Thursday, March 27, 2003

DEFENSE HEALTH CARE

Oversight of the Adequacy
of TRICARE's Civilian
Provider Network Has
Weaknesses

Statement of Marjorie Kanof
Director, Health Care—Clinical
and Military Health Care Issues



GAO-03-592T

March 27, 2003



Highlights of GAO-03-592T, a report to a testimony before the Subcommittee on Total Force, Committee on Armed Services, House of Representatives

DEFENSE HEALTH CARE

Oversight of the Adequacy of TRICARE's Civilian Provider Network Has Weaknesses

Why GAO Did This Study

During 2002, in testimony to the House Armed Services Committee, Subcommittee on Personnel, beneficiary groups described problems with access to care from TRICARE's civilian providers, and providers testified about their dissatisfaction with the TRICARE program, specifying low reimbursement rates and administrative burdens.

The Bob Stump National Defense Authorization Act of 2003 required that GAO review DOD's oversight of TRICARE's network adequacy. In response, GAO is (1) describing how DOD oversees the adequacy of the civilian provider network, (2) assessing DOD's oversight of the adequacy of the civilian provider network, (3) describing the factors that may contribute to potential network inadequacy or instability, and (4) describing how the new contracts, expected to be awarded in June 2003, might affect network adequacy.

GAO's analysis focused on TRICARE Prime—the managed care component of the TRICARE health care delivery system. This testimony summarizes GAO's findings to date. A full report will be issued later this year.

What GAO Found

To oversee the adequacy of the civilian network, DOD has established standards that are designed to ensure that its network has a sufficient number and mix of providers, both primary care and specialists, necessary to satisfy TRICARE Prime beneficiaries' needs. In addition, DOD has standards for appointment wait, office wait, and travel times that are designed to ensure that TRICARE Prime beneficiaries have adequate access to care. DOD has delegated oversight of the civilian provider network to lead agents, who are responsible for ensuring that these standards have been met.

DOD's ability to effectively oversee—and thus guarantee the adequacy of—the TRICARE civilian provider network is hindered in several ways. First, the measurement used to determine if there is a sufficient number of providers for the beneficiaries in an area does not account for the actual number of beneficiaries who may seek care or the availability of providers. In some cases, this may result in an underestimation of the number of providers needed in an area. Second, incomplete contractor reporting on access to care makes it difficult for DOD to assess compliance with this standard. Finally, DOD does not systematically collect and analyze beneficiary complaints, which might assist in identifying inadequacies in the TRICARE civilian provider network.

DOD and its contractors have reported three factors that may contribute to potential network inadequacy: geographic location, low reimbursement rates, and administrative requirements. However, the information the contractors provide to DOD is not sufficient to measure the extent to which the TRICARE civilian provider network is inadequate. While reimbursement rates and administrative requirements may have created dissatisfaction among providers, it is not clear that these factors have resulted in insufficient numbers of providers in the network.

The new contracts, which are expected to be awarded in June 2003, may result in improved network participation by addressing some network providers' concerns about administrative requirements. For example, the new contracts may simplify requirements for provider credentialing and referrals, two administrative procedures providers have complained about. However, according to contractors, the new contracts may also create requirements that could discourage provider participation, such as the new requirement that 100 percent of network claims submitted by providers be filed electronically. Currently, only about 25 percent of such claims are submitted electronically.

www.gao.gov/cgi-bin/getrpt?GAO-03-592T.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Marjorie Kanof at (202) 512-7101.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss issues related to the Department of Defense's (DOD) healthcare system, TRICARE. TRICARE's primary mission is to provide care for its eligible beneficiaries; currently, more than 8.7 million active duty personnel, retirees, and dependents are eligible to receive care through TRICARE. These beneficiaries receive their care through Military Treatment Facilities (MTFs) or through TRICARE's civilian provider network, which is designed to complement the availability of care offered by MTFs. MTFs supply most of the health care services TRICARE beneficiaries receive.¹

TRICARE faces new challenges in ensuring that its civilian network can provide adequate access to care that complements the capabilities of MTFs. In 2003, DOD will award new contracts for the delivery of care in the civilian network. As a result, the providers who choose to participate may change, while those who remain will operate under new policies and procedures. During this time, TRICARE is still responsible for ensuring that its civilian network provides adequate access to care, even if the provider for some beneficiaries' care is changed.

TRICARE also faces beneficiary and provider dissatisfaction with its existing civilian network. During April 2002, testimony before the House Armed Services Committee, Subcommittee on Personnel, beneficiary groups described problems with access to care from TRICARE's civilian providers. Also, providers testified about their dissatisfaction with the TRICARE program, specifying low reimbursement rates and administrative burdens.

In response to these concerns, the Bob Stump National Defense Authorization Act of 2003 (NDAA 2003) required that we review DOD's oversight of the adequacy of the TRICARE civilian network.² My remarks will summarize the findings of our analysis to date, and we will issue a full report later this year. Our analysis, including our testimony today, focuses on TRICARE's civilian provider network. Specifically, I will discuss (1) how DOD oversees the adequacy of the civilian provider network, (2) an

¹The military health system was funded at about \$26.4 billion for fiscal year 2003. Approximately 20 percent of this amount, \$5.2 billion, was budgeted for the TRICARE civilian provider network.

²Pub. L. No. 107-314, §712, 116 Stat. 2458, 2588 (2002).

assessment of DOD's oversight of the adequacy of the civilian provider network, (3) the factors that may contribute to potential network inadequacy or instability, and (4) how the new contracts might affect network adequacy.

To examine how DOD oversees the civilian provider network and interacts with the contractors, we interviewed officials at TRICARE Management Activity (TMA) in Washington D.C., the office that ensures that DOD health policy is implemented, and officials at TMA-West, the office that carries out contracting functions, including administering the civilian contracts and writing the Requests for Proposals for the future contracts. To assess DOD's oversight of the TRICARE network, we reviewed and analyzed extensive information from network adequacy reports from each of the contractors. We also interviewed DOD regional officials, known as lead agents, and MTF officials from 5 of 11 TRICARE regions. In addition, we interviewed officials from each of the four managed care support contractors who develop and maintain the network of providers to augment the care provided by MTFs. We visited and discussed network management and provider complaints with representatives of each contractor. We focused our work on TRICARE Prime—the managed care component of the TRICARE health care delivery system. We conducted our work from June 2002 through March 2003 in accordance with generally accepted government auditing standards.

In summary, to oversee the adequacy of the civilian network, DOD has established standards that are designed to ensure that its network has a sufficient number and mix of providers, both primary care and specialists, necessary to satisfy TRICARE Prime beneficiaries' needs. In addition, DOD has standards for appointment wait, office wait, and travel times that are designed to ensure that TRICARE Prime beneficiaries have adequate access to care. DOD has delegated oversight of the civilian provider network to lead agents, who are responsible for ensuring that these standards have been met.

DOD's ability to effectively oversee—and thus guarantee the adequacy of—the TRICARE civilian provider network is hindered in several ways. First, the measurement used to determine if there is a sufficient number of providers for the beneficiaries in an area does not account for the actual number of beneficiaries who may seek care or the availability of providers. In some cases, this may result in an underestimation of the number of providers needed in an area. Second, incomplete contractor reporting on access to care makes it difficult for DOD to assess compliance with this standard. Finally, DOD does not systematically collect and analyze

beneficiary complaints, which might assist in identifying inadequacies in the TRICARE civilian provider network.

DOD and its contractors have reported three factors that may contribute to potential network inadequacy: geographic location, low reimbursement rates, and administrative requirements. However, the information the contractors provide to DOD is not sufficient to measure the extent to which the TRICARE civilian provider network is inadequate. While reimbursement rates and administrative requirements may have created dissatisfaction among providers, it is not clear that these factors have resulted in insufficient numbers of providers in the network.

The new contracts, which are expected to be awarded in June 2003, may result in improved network participation by addressing some network providers' concerns about administrative requirements. For example, the new contracts may simplify requirements for provider credentialing and referrals, two administrative procedures providers have complained about. However, according to contractors, the new contracts may also create requirements that could discourage provider participation, such as the new requirement that 100 percent of network claims submitted by providers be filed electronically. Currently, only about 25 percent of such claims are submitted electronically.

Background

TRICARE has three options for its eligible beneficiaries:

- TRICARE Prime, a program in which beneficiaries enroll and receive care in a managed network similar to a health maintenance organization (HMO);
- TRICARE Extra, a program in which beneficiaries receive care from a network of preferred providers; and
- TRICARE Standard, a fee-for-service program that requires no network use.

The programs vary according to the amount beneficiaries must contribute towards the cost of their care and according to the choices beneficiaries have in selecting providers. In TRICARE Prime,³ the program in which active duty personnel must enroll, the beneficiaries must select a primary

³Out of more than 8.7 million eligible beneficiaries, nearly half are enrolled in TRICARE Prime.

care manager (PCM)⁴ who either provides care or authorizes referrals to specialists. Most beneficiaries who enroll in TRICARE Prime select their primary care providers from MTFs, while other enrollees select their PCMs from the civilian network. Regardless of their status—military or civilian—PCMs may refer Prime beneficiaries to providers in either MTFs or TRICARE's civilian provider network.⁵

Both TRICARE Extra and TRICARE Standard require co-payments, but beneficiaries do not enroll with or have their care managed by PCMs. Beneficiaries choosing TRICARE Extra use the same civilian provider network available to those in TRICARE Prime, and beneficiaries choosing TRICARE Standard are not required to use providers in any network. For these beneficiaries, care can be provided at an MTF when space is available.

DOD employs four civilian health care companies or managed care support contractors (contractors) that are responsible for developing and maintaining the civilian provider network that complements the care delivered by MTFs. The contractors recruit civilian providers into a network of PCMs and specialists who provide care to beneficiaries enrolled in TRICARE Prime. This network also serves as the network of preferred providers for beneficiaries who use TRICARE Extra. In 2002, contractors reported that the civilian network included about 37,000 PCMs and 134,000 specialists. The contractors are also responsible for ensuring adequate access to health care, referring and authorizing beneficiaries for health care, educating providers and beneficiaries about TRICARE benefits, ensuring providers are credentialed, and processing claims. In their network agreements with civilian providers, contractors establish reimbursement rates and certain requirements for submitting claims. Reimbursement rates cannot be greater than Medicare rates unless DOD authorizes a higher rate.

⁴A primary care manager is a provider or team of providers at an MTF or a provider in the civilian network to whom a beneficiary is assigned for primary care services when he or she enrolls in TRICARE Prime. Enrolled beneficiaries agree to initially seek all nonemergency, nonmental health care services from these providers.

⁵DOD's policy is to optimize the use of the MTF. Accordingly, when a referral for specialty care is made by a civilian PCM, the MTF retains the "right of first refusal" to accommodate the beneficiary within the MTF or refer the beneficiary to the civilian provider network for the needed medical care.

DOD's four contractors manage the delivery of care to beneficiaries in 11 TRICARE regions. DOD is currently analyzing proposals to award new civilian health care contracts, and when they are awarded in 2003, DOD will reorganize the 11 regions into 3—North, South, and West—with a single contract for each region. Contractors will be responsible for developing a new civilian provider network that will become operational in April 2004. Under these new contracts DOD will continue to emphasize maximizing the role of MTFs in providing care.

The Office of the Assistant Secretary of Defense for Health Affairs (Health Affairs) establishes TRICARE policy and has overall responsibility for the program. The TRICARE Management Activity (TMA), under Health Affairs, is responsible for awarding and administering the TRICARE contracts. DOD has delegated oversight of the provider network to the local level through the regional TRICARE lead agent. The lead agent for each region coordinates the services provided by MTFs and civilian network providers. The lead agents respond to direction from Health Affairs, but report directly to their respective Surgeons General. In overseeing the network, lead agents have staff assigned to MTFs to provide the local interaction with contractor representatives and respond to beneficiary complaints as needed and report back to the lead agent.

DOD Has Standards for Network Adequacy and Requires Contractors' Compliance

DOD's contracts for civilian health care are intended to enhance and support MTF capabilities in providing care to millions of TRICARE beneficiaries. Contractors are required to establish and maintain the network of civilian providers in the following locations: for all catchment areas,⁶ base realignment and closure sites,⁷ in other contract-specified areas, and in noncatchment areas where a contractor deems it cost-effective. In the remaining areas, a network is not required.

DOD requires that contractors have a sufficient number and mix of providers, both primary care and specialists, necessary to satisfy the needs of beneficiaries enrolled in the Prime option. Specifically, it is the

⁶Catchment areas are geographic areas determined by the Assistant Secretary of Defense for Health Affairs that are defined by five-digit zip codes, usually within an approximate 40-mile radius of inpatient MTFs.

⁷Base realignment and closure (BRAC) sites are military installations that have been closed or realigned as the result of decisions made by the Commissions on Base Realignment and Closure.

responsibility of the contractors to ensure that the network has at least one full-time equivalent PCM for every 2,000 TRICARE Prime enrollees and one full-time equivalent provider (both PCMs and specialists) for every 1,200 TRICARE Prime enrollees.⁴

In addition, DOD has access-to-care standards that are designed to ensure that Prime beneficiaries receive timely care. The access standards⁵ require the following:

- appointment wait times shall not exceed 24 hours for urgent care, 1 week for routine care, or 4 weeks for well-patient and specialty care;
- office wait times shall not exceed 30 minutes for nonemergency care; and
- travel times shall not exceed 30 minutes for routine care and 1 hour for specialty care.

DOD does not specify access standards for eligible beneficiaries who do not enroll in TRICARE Prime. However, DOD requires that contractors provide information and/or assist all beneficiaries—regardless of which option they choose—in finding a participating provider in their area.

DOD has delegated oversight of the civilian provider network to the regional TRICARE lead agents. The lead agents told us they use the following tools and information to oversee the network.

- **Network Adequacy Reporting**—Contractors are required to provide reports quarterly to the lead agents. The reports contain information on the status of the network—such as the number and type of specialists, a list of primary care managers, and data on adherence to the access standards. The reports may also contain information on steps the contractors have taken to address any network inadequacies.
- **Beneficiary Complaints**—The complaints come directly from beneficiaries and through other sources, such as the contractor or MTFs.

In addition to these tools, lead agents periodically monitor contractor compliance by reviewing performance related to specific contract requirements, including requirements related to network adequacy. Lead agents also told us they periodically schedule reviews of special issues

⁴In addition, all four contractors chose to closely follow the Graduate Medical Education National Advisory Committee (GMENAC) recommendation for determining the specialty mix requirements for their network.

⁵32 C.F.R. §199.17(p)(5)(2002).

related to network adequacy, such as conducting telephone surveys of providers to determine whether they are accepting TRICARE patients. In addition, lead agents stated they meet regularly with MTF and contractor representatives to discuss network adequacy and access to care.

If the lead agents determine that a network is inadequate, they have formal enforcement actions they may use to correct deficiencies. However, lead agents told us that few of the actions have been issued. They said they prefer to address deficiencies informally rather than take formal actions, particularly in areas where they do not believe the contractor can correct the deficiency because of local market conditions. For example, rather than taking a formal enforcement action, one lead agent worked with the contractor to arrange for a specialist from one area to travel to another area periodically.

DOD's Civilian Provider Network Oversight Has Weaknesses

DOD's ability to effectively oversee—and thus guarantee the adequacy of—the TRICARE civilian provider network is hindered by (1) flaws in its required provider-to-beneficiary ratios, (2) incomplete reporting on beneficiaries' access to providers, and (3) the absence of a systematic assessment of complaints. Although DOD has required its network to meet established ratios of providers to beneficiaries, the ratios may underestimate the number of providers needed in an area. Similarly, although DOD has certain requirements governing beneficiary access to available providers, the information reported to DOD on this access is often incomplete—making it difficult to assess compliance with the requirements. Finally, when beneficiaries complain about availability or access in their network, these complaints can be directed to different DOD entities, with no guarantee that the complaints will be compiled and analyzed in the aggregate to identify possible trends or patterns and correct network problems.

Required Provider-to-Beneficiary Ratios May Not Account for Actual Number of Beneficiaries or Availability of Providers

In some cases, the provider-to-beneficiary ratios underestimate the number of providers, particularly specialists, needed in an area. This underestimation occurs because in calculating the ratios, the contractors do not always include the total number of Prime enrollees within the area. Instead, they base their ratio calculations on the total number of beneficiaries enrolled with civilian PCMs and do not count beneficiaries enrolled with PCMs in MTFs. The ratio is most likely to result in an underestimation of the need for providers in areas in which the MTF is a clinic or small hospital with a limited availability of specialists.

Moreover, in reporting whether their network meets the established ratios, different contractors make assumptions about the level of participation on the part of civilian network providers. These assumptions may or may not be accurate, and the assumptions have a significant effect on the number of providers required in the network. Contractors generally assume that between 10 to 20 percent of their providers' practices are dedicated to TRICARE Prime beneficiaries. Therefore, if a contractor assumes 20 percent of all providers' practices are dedicated to TRICARE Prime rather than 10 percent, the contractor will need half as many providers in the network in order to meet the prescribed ratio standard.

Information Reported on Access Standards Was Incomplete

In the network adequacy reports we reviewed, managed care support contractors did not always report all the information required by DOD to assess compliance with the access standards. Specifically, for the network adequacy reports we reviewed from 5 of the 11 TRICARE regions, we found that contractors reported less than half of the required information on access standards for appointment wait, office wait, and travel times. Some contractors reported more information than others, but none reported all the required access information. Contractors said they had difficulties in capturing and reporting information to demonstrate compliance with the access standards. Additionally, two contractors collected some access information, but the lead agents chose not to use it.

Beneficiary Complaints Are Not Systematically Collected and Evaluated

Most of the DOD lead agents we interviewed told us that because information on access standards is not fully reported, they monitor compliance with the access standards by reviewing beneficiary complaints. Beneficiaries can complain about access to care either orally or in writing to the relevant contractor, their local MTF, or the regional lead agent. Because beneficiary complaints are received through numerous venues, often handled informally on a case-by-case basis, and not centrally evaluated, it is difficult for DOD to assess the extent of any systemic access problems. TMA has a central database of complaints it has received, but complaints directed to MTFs, lead agents, or contractors may not be directed to this database.

While contractor and lead agent officials told us they have received few complaints about network problems, this small number of complaints could indicate either an overall satisfaction with care or a general lack of knowledge about how or to whom to complain. Additionally, a small number of complaints, particularly when spread among many sources,

limits DOD's ability to identify any specific trends of systemic problems related to network adequacy within TRICARE.

DOD and Contractors Report Three Factors That May Contribute to Network Inadequacies

DOD and contractors have reported three factors that may contribute to network inadequacy: geographic location, low reimbursement rates, and administrative requirements. While reimbursement rates and administrative requirements may have created dissatisfaction among providers, it is not clear how much these factors have affected network adequacy because the information the contractors provide to DOD is not sufficient to reliably measure network adequacy.

DOD and contractors have reported regional shortages for certain types of specialists in rural areas. For example, they reported shortages for endocrinology in the Upper Peninsula of Michigan and dermatology in New Mexico. Additionally, in some instances, TRICARE officials and contractors have reported difficulties in recruiting providers into the TRICARE Prime network because in some areas providers will not join managed care programs. For example, contractor network data indicate that there have been long-standing provider shortages in TRICARE in areas such as eastern New Mexico, where the lead agent stated that the providers in that area have repeatedly refused to join any network.

According to contractor officials, TRICARE Prime providers have expressed concerns about decreasing reimbursement rates. In addition, there have been reported instances in which groups of providers have banded together and refused to accept TRICARE patients due to their concerns with low reimbursement rates. One contractor identified low reimbursement rates as the most frequent cause of provider dissatisfaction. In addition to provider complaints, beneficiary advocacy groups, such as the Military Officers Association of America (MOAA), have cited numerous instances of providers refusing care to beneficiaries because of low reimbursement rates.

By statute, DOD cannot generally pay TRICARE providers more than they would be paid under the Medicare fee schedule. In certain situations, DOD has the authority to pay up to 115 percent of the Medicare fee to network providers.¹⁰ DOD's authority is limited to instances in which it has determined that access to health care is severely impaired within a

¹⁰See 32 C.F.R. §199.14(h)(1)(v)(D),(E)(2002).

locality. In 2000, DOD increased reimbursement rates in rural Alaska in an attempt to entice more providers to join the network, but the new rates did not increase provider participation.¹¹ In 2002, DOD increased reimbursement rates to 115 percent of the Medicare rate for the rest of Alaska. In 2003, DOD increased the rates for selected specialists in Idaho to address documented network shortcomings. In 1997, DOD also increased reimbursement rates for obstetrical care. These cases represent the only instances in which DOD has used its authority to pay above the Medicare rate.¹² Because Medicare fees declined in 2002, and there is a potential for future reductions, some contractors are concerned that reimbursement rates may undermine the TRICARE network.

Contractors also report that providers have expressed dissatisfaction with some TRICARE administrative requirements, such as credentialing and preauthorizations and referrals. For example, many providers have complained about TRICARE's credentialing requirements. In TRICARE, a provider must get recertified every 2 years, compared to every 3 years for the private sector. Providers have said that this places cumbersome administrative requirements on them.

Another widely reported concern about TRICARE administrative requirements relates to preauthorization and referral requirements. Civilian PCM providers are required to get preauthorizations from MTFs before referring patients for specialized care. While preauthorization is a standard managed care practice, providers complain that obtaining preauthorization adversely affects the quality of care provided to beneficiaries because it takes too much time. In addition, civilian PCMs have expressed concern that they cannot refer beneficiaries to the specialist of their choice because of MTFs' "right of first refusal" that gives an MTF discretion to care for the beneficiary or refer the care to a civilian provider.

Nevertheless, there are not direct data confirming that low reimbursement rates or administrative burdens translate into widespread network

¹¹U.S. General Accounting Office, *Defense Health Care: Across-the-Board Physician Rate Increase Would Be Costly and Unnecessary*, GAO-01-620 (Washington, D.C.: May 24, 2002)

¹²Similarly in April 2002, DOD adopted a policy that will authorize a 10 percent bonus payment to select TRICARE providers working in medically underserved areas as defined by Health Resources and Services Administration, consistent with Medicare payment policy. DOD plans to implement the bonus payment in July 2003.

inadequacies. We found that out of the 2,156 providers who left one contractor's network during a 1-year period, 900 providers cited reasons for leaving. Only 10 percent of these providers identified low reimbursement rates as a factor and only 1 percent cited administrative burdens.

New Contracts May Address Some Network Concerns, but May Create Others

DOD's new contracts for providing civilian health care, called TNEX, may address some network concerns raised by providers and beneficiaries, but may create other areas of concern. Because the new contracts are not expected to be finalized until June 2003, the specific mechanisms DOD and the contractors will use to ensure network adequacy are not known. DOD plans to retain the access standards for appointment and office wait times, as well as travel-time standards. However, instead of using provider-to-beneficiary ratios to measure network adequacy, TNEX requires that the network complement the clinical services provided by MTFs and promote access, quality, beneficiary satisfaction, and best value health care for the government.¹³ However, TNEX does not specify how this will be measured.

TNEX may reduce administrative burden related to provider credentialing and patient referrals. Currently, TRICARE providers must follow TRICARE-specific requirements for credentialing. In contrast, TNEX will allow for network providers to be credentialed through a nationally recognized accrediting organization. DOD officials stated this approach is more in line with industry practices. Patient referral procedures will also change under TNEX. Referral requirements will be reduced, but the MTFs will still retain the "right of first refusal."

On the other hand, TNEX may be creating a new administrative concern for contractors and providers by requiring that 100 percent of network claims submitted by providers be filed electronically. In fiscal year 2002, only 25 percent of processed claims were submitted electronically.¹⁴ Contractors stated that such a requirement could discourage providers from joining or staying in their network. However, DOD states that electronic filing will cut claims-processing costs and save money.

¹³DOD defines best value health care as high quality care delivered in the most economical manner for the military health system that optimizes the MTF system while delivering the highest level of customer service.

¹⁴This percentage does not include pharmacy claims or claims for care provided to Medicare-eligible beneficiaries under TRICARE For Life.

Another concern that has been raised by beneficiary groups extends beyond the network and potentially impacts beneficiaries who use TRICARE Standard. TNEX will no longer require contractors to provide information to all beneficiaries, including Standard beneficiaries, about providers participating in their area and to assist them in accessing care. Under the existing contracts, contractors are required to provide beneficiaries with the name of at least one participating provider, offer to contact the provider on behalf of the beneficiary, and offer to contact at least three local providers if a participating provider is not available locally. In contrast, TNEX does not include these requirements. MOAA and other beneficiary groups are concerned about this omission because they have received an increasing number of complaints from their constituents related to difficulties in finding providers who accept TRICARE Standard beneficiaries.

Mr. Chairman, this concludes my prepared statement. I would be happy to answer any questions you or other Members of the Subcommittee may have.

Contacts and Acknowledgments

For more information regarding this testimony, please contact me at (202) 512-7101. Kristi Peterson, Allan Richardson, Louise Duhamel, Marc Feuerberg, Krister Friday, Gay Hee Lee, and John Oh also made key contributions to this statement.

Statement of David R. Nelson
President, Sierra Military Health Services, Inc.

Submitted to the
House Armed Services Committee

Subcommittee on Total Force

March 27, 2003

NOT FOR PUBLICATION UNTIL
RELEASED BY THE COMMITTEE

Mr. Chairman and Members of the House Armed Services Total Force Subcommittee:

Thank you for the opportunity to present information on the TRICARE program in Region 1. I am David Nelson, President of Sierra Military Health Services, Inc. (Sierra), the TRICARE managed care support contractor for Region 1, TRICARE Northeast. We began health care delivery in Region 1 in June of 1998. In October of last year, Sierra's contract to serve TRICARE Northeast was extended, enabling us to continue service until transition to the Next Generation of TRICARE under the T-Nex solicitation.

INTRODUCTION

Over one million TRICARE beneficiaries live, work, and seek health care in TRICARE Northeast, a cluster of 13 states from Maine to Northern Virginia and the District of Columbia. There are 23 Military Treatment Facilities (MTFs) in the region, and more than a half dozen Base Realignment and Closure sites designated as Prime service areas. The MTFs range in size and complexity from world-leading international medical centers such as Walter Reed Army Medical Center and the National Naval Medical Center to remote outpatient clinics in rural upstate New York and Maine.

TRICARE Northeast is also home to the Pentagon and the National Command Centers, as well as to three of the four service academies. TRICARE Northeast beneficiaries are very knowledgeable about military health care and are uniquely accustomed to holding the system accountable for its promises.

High-quality customer service is a Sierra core competency. Our mission is to raise the standards of excellence for high-quality, affordable managed health care in a dynamic marketplace and

exceed the expectations of our beneficiaries, employees, Government, and community partners. Sierra's mission focus has resulted in continual process improvements and quality outcomes, with the goal of achieving the highest possible levels of customer satisfaction.

Regional beneficiary satisfaction showed dramatic improvements over the past year, fueled by the effective use of new technologies, innovative management practices, and process improvements. Sierra's performance equaled or exceeded national TRICARE performance standards and industry benchmarks.

Sierra achieved health care quality, while TRICARE Northeast health care inflation remained lowest in the nation. Best value health care was achieved in other ways as well, for example, through ensuring quality care while reducing lengths of stay, lower hospital readmission rates, and claim overpayment recovery. Sierra achieved Military Health System (MHS) optimization by establishing a robust TRICARE network where none existed before and by transforming the Medical Management process. The development of technological innovations enabled Sierra to design and implement a Continuum of Care model and a workload distribution and referral management process that improved health care delivery in the region. All helped to strengthen MTFs, steer beneficiaries to the MHS and improve beneficiary satisfaction.

This was done through our commitment to continuous quality improvement, largely through business process improvements. Combining new technologies with innovative business practices opened the door to creative solutions to system challenges and the introduction of significant change. Our challenge is to provide all of our beneficiaries with timely access to quality health care and customer service that is second to none. In short, it is Sierra's dedication to providing "Service Fit For Heroes."

TIMELY ACCESS TO HEALTH CARE

The key to providing timely access for all our beneficiaries is to maximize the use of the direct care system while building and maintaining a robust network of health care providers to augment and, in some cases, replace the assets of the military treatment facilities. The strength of the Sierra network was recently put to the test with the deployment of the medical staff from the National Naval Medical Center to the forward deployed USNS Comfort. By working with the Lead Agent and his staff and the MTF Commander long before the actual deployment, the managed care system was ready to take up the slack when the medical staff departed to ensure continued timely access to quality health care.

From the beginning, Sierra has pursued process improvements through collaboration with the MTFs, subcontractors, and the provider marketplace. More specifically, overall success in building a robust network was due largely to a pattern and practice of collaboration with MTF Commanders.

Development Strategies Driven by Data and Demand

In remote or under-served areas, Sierra has devoted considerable resources to develop and maintain strong links with the limited number of providers. Close working relationships were established among Sierra, providers, and MTF staff. These relationships often generated site-specific solutions. For example, child and adolescent psychiatrists and psychiatry residents at Walter Reed Army Medical Center served beneficiaries in remote locations by teleconference with a cooperating therapist on site at Carlisle Barracks, PA and FT Drum, NY.

Sierra uses a sophisticated, collaborative approach to determine the right provider mix to optimize excess capacity at MTFs. Sierra used mapping software and Network Adequacy Reports (NARs) to identify contracting priorities and ensure compliance with TRICARE

network access standards. As measured by NAR, Sierra consistently meets TRICARE's 30-minute travel time access standard for primary care and has done so since the start of the current contract, and met the 60-minute travel time standard for specialty care services in most Prime service areas.

Access standards also drive contracting strategies for hospitals, and ancillary and allied health providers. Sierra targets new providers who will enhance the network, meet credentialing standards, and accept the TRICARE maximum allowable charge (TMAC).

Network Stability: the Goal of Sierra's Provider Relations Program

Sierra developed a comprehensive provider relations and education program to address individual provider concerns and build customer loyalty. Program objectives are to maintain a high level of understanding and compliance with the TRICARE program objectives, requirements, and operating systems; and a high level of provider satisfaction with all aspects of TRICARE.

The program consisted of continual, day-to-day liaison with providers. Sierra established educational programs for all providers as well as a forum to strengthen communication and cooperation among civilian providers and their direct care counterparts at the MTFs. Provider education occurred in many ways, including working with the Lead Agent to conduct regular educational sessions for MTF, network, and non-network providers. In addition to direct contact with Sierra staff, Sierra kept providers informed through its website and quarterly TRICARE Administrative Guide (TAG) Quarterly newsletter. The *For Providers* section of the Sierra website presented an online TRICARE Administrative Guide (TAG); assistance in handling claim issues, including online access to claim data; information about Sierra Disease Management programs for Diabetes and Obstetrics; access forms and assistance with authorization referral procedures; provider information updates, provider database searches; and recent editions of the TAG Quarterly newsletter.

Quality Health Care Through Quality Management

The Medical Management function is at the core of Sierra service. It integrates Care Coordination, Quality Management (QM), Utilization Management (UM), Case Management, Disease Management, and Demand Management. The function is focused on the access, quality, outcomes, and cost of health care services.

Sierra Medical Management practices have transformed TRICARE Northeast health care delivery through comprehensive integration of processes, programs, and policies system-wide. Sierra blended technology, on-site MTF support, and a very high level of coordination and communication among health care delivery stakeholders.

Simply stated, the key challenge to Medical Management was to improve quality of care while controlling costs. Sierra's capacity within each major component of Medical Management under the current contract is substantial and has been continually enhanced to meet this challenge.

In September 2000, Sierra implemented a Continuum of Care model in which patients were assigned to a single nurse, with detailed local knowledge, from the time services were first requested through the entire course of acute and post-acute care. Central to the Continuum of Care model is the technology and innovative business processes developed by Sierra under the name of the Automated TRICARE Care Coordinator (ATCII™). ATCII™ was designed specifically to achieve the objective of MTF optimization.

ATCII™ is a web-based, automated workload distribution system for referral management through the First Level, Second Level, and MTF Review processes. ATCII™, an integral component of the Continuum of Care model, facilitated the application of MTF-defined

automated business rules to the majority of pre-authorization requests. This enables nurses and physicians to concentrate on more complex requests for care, identify cases for referral to Case Management and/or Disease Management Programs and steer care to preferred network providers, as appropriate.

Sierra's Medical Case Management function was further enhanced in April 2002 through implementation of CaseMan™, another internally developed web-based application. CaseMan™ is a dedicated information system used to track Case Management referrals and assessments, and construct individualized care plans. CaseMan™ replaced paper processes, greatly speeding the assessment process.

Because of these complementary, integrated initiatives, Sierra has been able to process more than 50,000 referrals each month while tailoring LM referral processes to meet each MTF's individual care management needs. Prior authorization requests were processed faster while hospital discharge planning became more efficient and effective.

The Sierra Continuum of Care model combined innovative business processes with advanced technology to break the traditional trade-off between high quality and high direct cost. While beneficiary satisfaction metrics rose steadily, regional medical costs and medical cost inflation were the lowest among all MCSCs nationwide. TRICARE Northeast's cost advantage reflects the presence of a robust MTF infrastructure - a system and government investment that Sierra helped the MHS to optimize.

Customer-Focused Quality Management

Sierra has made very productive use of the Medical Advisory Committee (MAC) consisting of MTF, VA, and civilian network physicians, nurses, and other health care professionals. The MAC analyzed and trended data from the UM, Quality, and Credentialing Committees, Case Management and Disease Management programs, the Nurse Advice Line, provider network operations, *ValueOptions* (the Region 1 mental health care provider), PharmaCare (the Region 1 pharmacy benefit manager), and Program Integrity to affect improvements in health care delivery.

Through the MAC, Sierra reduced the number of unused MTF appointment slots, thereby improving productivity and system optimization. Working actively with the Lead Agent and individual MTFs, Sierra improved system-wide productivity and optimization. During the six-month period ending September 30, 2002, Sierra booked nearly 82,000 additional MHS appointments as compared to the same period of 2001.

Sierra reduced the average length of stay for enrolled and non-enrolled populations (medical / surgical patients in civilian hospitals) by nearly 17 percent from the third quarter 2000 to the third quarter 2001. In part, this significant reduction arose from two initiatives: the Sierra Medical Management Continuum of Care model, which enables Sierra nurses to concentrate on complex inpatient cases by processing routine referral requests using automated business rules; and by placing Sierra Registered Nurses on site at selected MTFs as Health Care Coordinators. Since September 2000, they performed concurrent review, discharge planning and other duties tailored to the needs of DeWitt Army Community Hospital, Keller Army Community Hospital, Malcolm Grow Medical Center, National Naval Medical Center, and Walter Reed Army Medical Center.

Utilization Management: Building on the New Continuum of Care Model with ATCII™

ATCII™ organized and tracked the essential components of Sierra's clinical review and customer service functions. As requests for care were received, ATCII™ helped ensure that patients received the timely, high quality care they needed. ATCII™ allowed, and continues to allow, patient-related documents, primarily orders for care, to be distributed to every user authorized to process them. The documents enter the ATCII™ system from CHCS, manual input of orders taken over the telephone or fax, and via the Internet using Sierra's Online Referral Request Form (ORRF™).

ATCII™ presents users with a variety of web-accessible functions as it pulls all of the clinical orders (requests for care) entered for a patient, and displays them in a user-friendly format. Orders are checked for completeness and accuracy, and then assigned to a workload queue for processing. Referrals and authorizations are generated based on eligibility, care requested, and other criteria. ATCII™ assigns referrals requiring further review to a Registered Nurse familiar with the geographic location of the beneficiary. The system serves as a repository of information about the referral history for use in Second Level and MTF review.

Sierra has also provided Lead Agent operations staff and MTF Commanders with access to a secure web-based real-time census report of beneficiaries admitted to network and non-network civilian hospitals. The census report was well received by MTF Commanders and managed care staff when introduced in November 2001. Since then, the MTFs have accessed it over 4,000 times.

In addition to a web-based Daily Census Report of MTF patients in civilian hospitals, Sierra provides the MTFs with web access to our Projected Utilization Reports (PUR). This real-time report identifies Prime patients who are seeking appointments with civilian providers. The information enables MTF commanders to anticipate Revised Financing expenses, monitor referral patients, and better plan to meet the needs of the enrolled population.

This round-the-clock access to real-time data on the MTF commander's desktop is evidence that Sierra's current operations are, in many ways, already aligned with the objectives set forth in the T-NEX solicitation. Creating the technology to collect key data and make it accessible to MHS managers is a central part of Sierra's approach to managing care.

Sierra developed another secure web-based application to streamline the referral / authorization process specifically for unscheduled admissions and selected specialty care referrals. ORRFTM allows hospital-based providers to enter notification of emergent admissions online, without faxing a referral or notification form. Sierra trained selected providers in 21 locations to enter and forward referral requests directly to Sierra Health Care Coordinators.

Case Management

Sierra has a strong record of providing timely, compassionate, and cost-effective Case Management services. Consistent with the Continuum of Care Model, Sierra Case Managers assisted beneficiaries to receive appropriate medical services, while mitigating health care costs in the past year. Steering beneficiaries to preferred providers achieved the cost savings, while assuring high quality outcomes and improved beneficiary satisfaction.

Specialty Care Program: Obstetrics

Along with traditional case management activities, Sierra operated an Obstetrics (OB) Care Program. Beneficiary participation rates in these programs have exceeded national benchmarks for commercial programs. The OB Care Program combines prenatal risk assessment and beneficiary and provider education with Case Management of Neonatal Intensive Care Unit

(NICU) admissions. Sierra's Quality Management Medical Director delivered an extensive provider education effort to MTF and network providers associated with the OB Care Program. As a result, the participation rate was consistently 42 to 44 percent of beneficiaries identified.

The identification of high-risk OB cases resulted in steering mothers to the appropriate level of provider care, along with telephonic case manager intervention and education of mothers and their providers. Once high-risk OB cases were identified, patients received education and providers were prompted to evaluate risk factors for consideration for referral to an Obstetrician or Perinatologist.

The goal of the program was to prevent pre-term labor, thus avoiding the need for NICU admissions, or reducing the length of stay (LOS) for required NICU admissions. Within TRICARE Northeast, the average NICU LOS for 2001 was 12.9 days, representing a 20.4 percent decrease in NICU LOS from 16.2 days in 2000.

Disease Management Program: Diabetes

The Diabetes Disease Management Program informs the diabetic patient about self-management while providing continued guidance and support. The program strengthened the link between the patient and physician by providing diabetes management information, treatment protocols, TRICARE guidelines, education programs, and Case Management support. Disease Managers followed up with patients after hospital admission for a diabetes-related problem.

With a baseline participation rate consistently between 32 and 35 percent of identified beneficiaries and a six-month follow-up participation rate of 44 percent, the program has been highly successful. Participants experienced improvements with all compliance and control measures: 73 percent received an annual comprehensive foot exam, representing a 7.6 percent increase from the baseline rate of 65 percent; 92.4 percent of participants received an annual retinal exam, a 1.6 percent increase over baseline; 63.4 percent experienced a decrease in Hemoglobin A1C values; 90.5 percent knew their blood pressure rates; and 63 percent knew their cholesterol levels.

Overall, the program has produced a drop in the 30-day re-admission rate to a network hospital for uncontrolled diabetes from 6 percent in 2000 when the program began to 1 percent in 2001. For the first quarter of 2002, there were zero readmissions within 30 days of discharge.

TIMELY AND QUALITY CARE THROUGH CUSTOMER SERVICE

Customer Service – an essential driver in beneficiary satisfaction – is a core objective of Sierra and the cornerstone of the company's corporate value system. Sierra and its subcontractors handled almost 3 million customer service calls per year. Sierra successfully embraced technology as a way to improve processes that touched customers, especially to enable customer service representatives on the telephone or at TSCs to get closer to the customer and view transactions as beneficiaries see them. At first, there was no simple way to view a series of beneficiary contacts as a single record. It placed the burden on callers to remember, understand, and relate their concerns to a previous contact. Sierra wanted to view contact history holistically, rather than as a random collection of unrelated transactions, and sought to create a better way to serve the caller. Sierra created E-Tracker™, a web-based, contact-by-contact customer history

and database to serve this purpose. E-Tracker™ presents each individual beneficiary's story to the customer service representative in a concise easy-to-retrieve history that enables representatives to share knowledge and the status of inquiries.

In addition to E-Tracker™, Sierra added new TRICARE Service Centers, enhanced services and other resources at existing TSCs, and most significantly, relocated TSCs into the supported MTFs wherever possible. These actions produced a more personal, customer-focused environment and improved the handling of beneficiary inquiries.

Sierra provided TMA, the Lead Agent, and MTFs access to enrollment reports through the online Sierra Dashboard in March 2002. Additionally, Sierra implemented web-based online payments in September 2002 and the online capability to complete enrollment application forms in October 2002.

Moving Closer to the Beneficiaries

Process improvements arose from close collaboration among Sierra, MTF Commanders, and beneficiary advocates. Sierra's TSC staff worked closely with MTFs to provide ongoing support, training, and briefings. Although not a requirement in the current contract, the TSCs provided at least 10 hours of support and coordination efforts per week to MTF Commanders. Activities included support to health fairs, special events, in-processing assistance, and transition assistance briefings. TSCs also provided specialty briefings related to specific TRICARE issues such as: TRICARE Prime Remote; TRICARE Active Duty Family Member program; Operation Noble Eagle / Enduring Freedom mobilization, and others. Uniquely among MCS contractors, Sierra's presence in TRICARE Northeast places it close to the many beneficiary associations headquartered in the National Capital Area. Through close consultation and frequent dialogue,

Sierra cultivated collaborative relationships with these associations, known collectively as The Military Coalition (TMC). Sierra and Lead Agent representatives met quarterly with TMC representatives to discuss TRICARE issues voiced by TMC members.

PROPOSING TO SERVE THE NEW NORTH REGION UNDER T-NEX

Sierra Military Health Services, Inc. is participating in the T-Nex solicitation, seeking to be named Managed Care Support Contractor in the new North Region. Our past performance, coupled with our approach to meeting the objectives spelled out in the T-Nex solicitation, is at the heart of that effort.

One important aspect of the Sierra proposal tracks testimony I have given before this subcommittee since 2000. Under T-Nex, Sierra will take the steps necessary to address systemic issues relating to claims processing.

Our proposal includes state-of-the-art claims processing technology now used in the commercial sector. The function also will be fundamentally reorganized, with claims to be managed in-house. This will eliminate many accountability and technology insertion challenges associated with subcontracting a core managed care support responsibility.

OUR CONTINUING CONCERNS

TMAC Reimbursement Rates

We continue to be very concerned about the past erosion of the value of the TRICARE Maximum Allowable Charge (TMAC) rates. As recently as January 2002, independent analysis showed Medicare reimbursements to providers nationwide dropping an average of 5.4%. Although recent corrective action passed by Congress has restored some of the past cuts in

Medicare reimbursement rates, given that TMAC rates are tied to Medicare reimbursement rates, the TRICARE provider network is becoming increasingly dissatisfied. When the lower reimbursement rates combine with the additional prescriptive administrative requirements unique to the TRICARE program, TRICARE providers are increasingly prone to exit the program. TRICARE's fewer numbers of beneficiaries relative to the rest of a provider's pay mix contributes to a lack of clout with providers, unlike the Medicare program that brings significant volume leverage when establishing reimbursement rates. Additionally, the complexity of the TRICARE reimbursement program (e.g., Prime vs. Extra vs. Standard; Active Duty Dependent vs. Retired Dependent) places an administrative burden on a provider's office that is greater than that of Medicare or commercial health plans. To ensure that the system has enough civilian providers, we all must continually monitor TMAC rates to ensure that they are competitive with those of the commercial insurers that generally make up a much larger percentage of a provider's practice.

Additionally, the government should reduce the "hassle factor" for TRICARE network providers by aligning TRICARE procedures and administrative requirements with those providers have already accepted for Medicare. Sierra has and will continue to make strides in TRICARE Northeast to creatively reduce these programmatic procedural annoyances for our providers. However, TRICARE reforms allowing for less prescriptive administrative requirements that are more congruent with existing Medicare requirements must come from the Department and/or Congress for this "hassle factor" to truly disappear.

T-NEX Award Delays

As TRICARE Management Activity moves forward with the contract awards for TRICARE - the Next Generation, we would urge TMA to complete the award process in a timely manner to ensure that there is the full 10 month transition period as called for in the T-Nex solicitation. No

matter who the successful bidders might be, the consolidation of the nation into three regions means transition. Compressing the time allotted for a transition because of slippage in the contract award schedule will jeopardize the success the TRICARE program has achieved to date and create a potential loss of customer and provider satisfaction. This could adversely affect access and quality health care in the near term. Moreover, the true significance of T-Nex is the promise it holds for higher customer satisfaction, cost control, and application of state-of-the-art technology. These improvements mean significant change and again, from the beneficiary's perspective, transition. That is why managing the transition to T-Nex within a reasonable amount of time is fundamental to T-Nex success from the beginning.

OUR CONTINUING COMMITMENT IN EXTRAORDINARY TIMES

Mobilization

The current mobilization is placing new demands on TRICARE and its beneficiaries, especially with the deployment of personnel from MTFs resulting in altered patterns of provider utilization. Customer service, referral, and other Managed Care Support workloads have increased with the addition of many new TRICARE beneficiaries, the activated reservists and members of the National Guard and their families. Most of the new beneficiaries are unfamiliar with their TRICARE benefit or the Military Health System.

Our top priority is to work with our partners within the Military Health System to ensure access to quality care. This entails assisting providers who have new levels of TRICARE patient loads, filling gaps in the provider network created by the deployment of MTF staff, and aggressive efforts to inform all beneficiaries about the changes impacting health care delivery.

A Contingency Control Center has been activated within Sierra and is led by Chief Operating Officer Mr. Keith Vander Kolk. This office coordinates all functional areas of the operation as they are affected by mobilization. In addition, Sierra is working collaboratively with the Office of the Lead Agent to coordinate internal and beneficiary communications.

FOCUSED ON OUR MISSION

The attention of Sierra management and each one of its more than 700 employees is focused on three missions:

1. Meeting the demands of mobilization.
2. Planning to capture the extraordinary opportunity for improvement in the Next Generation of TRICARE under T-Nex, and
3. Sustaining leading levels of customer service and cost control leadership in the current contract extension.

Through each of these interrelated initiatives, Sierra continues to pursue innovation, flexibility and responsiveness, active collaboration, and valuable learning gained through our experience serving TRICARE Northeast. We constantly harness new technologies, promote a culture of continuous quality improvement, and foster an acute sensitivity and familiarity with the needs of the military beneficiaries we serve.

These extraordinary times require extraordinary effort and results. On behalf of everyone at Sierra Military Health Services, I pledge the full measure of this company to our mission of service to the Department of Defense and our military and their families.

STATEMENT BY**DAVID J. BAKER****PRESIDENT AND CEO****HUMANA MILITARY HEALTHCARE SERVICES****TESTIMONY FOR THE RECORD****HOUSE ARMED SERVICES COMMITTEE**

On behalf of Humana Military Healthcare Services, I am pleased to update you on our current efforts in providing quality health care to the members of our most deserving military community. At a time when our country is at war, we understand the trust bestowed on us as we provide health care services to military families. We are honored to be serving our country as our military fights for us against terrorism.

As CEO of Humana Military Healthcare Services, I want to thank the Committee for its support of the Defense Department Military Health Care System. While delivering health care is a complex undertaking, we believe that as partners with the Department of Defense, we are furnishing quality, affordable health care services to the beneficiaries we serve.

Humana Military Healthcare Services (HMIHS) is a wholly owned subsidiary of Humana Inc., one of the nation's largest health benefit companies. Our subsidiary was formed in 1993 to focus exclusively on providing integrated health services to military families and retirees through TRICARE.

Today, HMIHS is responsible for two Department of Defense (DoD) managed care support contracts. We provide access to integrated TRICARE services for more than 3 million beneficiaries in the 16 states that comprise the Mid-Atlantic, Southeast, Gulf South, and Heartland regions. We are the largest of the four current TRICARE contractors.

TRICARE was established to improve quality, enhance access, and control costs of health care services provided to eligible DoD beneficiaries. Today, TRICARE has matured into

one of the most comprehensive and successful integrated health care systems in the nation: one that is meeting the health and medical needs of the active military, retirees, and their eligible family members. We applaud Congress for providing oversight and tangible support of the TRICARE program, thereby allowing active duty military personnel, retirees and their family members to maintain access to a rich array of preventative and restorative health care services.

During the past year, we have experienced a growth in the number of TRICARE beneficiaries primarily as a result of military preparedness. As Reserve and National Guard members are called to active duty service for a period of more than 30 days, their family members immediately become eligible for benefits under TRICARE. We estimate that we are serving approximately 135,000 family members of newly activated Reserve and National Guard service members.

Today's health care costs and utilization rates continue to rise in both the private and public sector. As a result of the rising costs in the private market, we continue to see an increase in the number of beneficiaries that are declining commercial health care coverage provided by their employers in lieu of utilizing the benefits provided by the TRICARE program. We believe that this trend is directly related to the rising costs and decreased coverage provided by many private health plans. While many employers have partially shifted the increased cost of health care to their employees or limited the coverage of the plans they offer to their employees, TRICARE continues to offer a most rich benefit without, to date, increased cost to the beneficiary. As a result, eligible beneficiaries are increasingly turning to TRICARE for their health coverage. For example, as a life-long military beneficiary, I recently made the decision to decline health care coverage provided by my employer, Humana, due to the increased cost; instead I opted to use the broad spectrum of affordable, quality health care services provided to the military community under TRICARE.

I encourage the Committee to keep a watchful eye on the enrollment, cost and use of the TRICARE system. Continued upward trends in the utilization of the benefit, as well as an increase in the number of TRICARE beneficiaries as a result of current military action will affect the need for increased funding for the Defense Health Program.

In large part, the success of the TRICARE program stems from the public-private collaboration between managed care support contractors and their military customers. This

successful collaboration is currently demonstrated in the support HMHS has provided to the military treatment facilities (MTFs) within our regions, and the beneficiaries who obtain care at these facilities, in the wake of deployments of medical personnel to fight the war on terrorism. Specifically, 15 of the 27 military installations that have experienced deployments of military medical personnel are located within Humana's four TRICARE regions. As a result of these deployments, HMHS has assisted the MTFs in back-filling these vacancies through resource sharing agreements and by providing expanded services through our existing civilian networks.

Under the resource sharing program, HMHS provides personnel, equipment, and supplies to a military hospital or clinic to allow the provision of direct care services to TRICARE beneficiaries. Our company has established mechanisms to expedite back-fill requests through on-site visits made to each MTF. We have also established a direct line of communication with Lead Agent offices to speed the evaluation and approval of back-fill requests. Recently, we completed four resource sharing agreements with our military treatment facility partners to provide 85 full-time employees as backfills for deployed medical personnel. We currently have 20 "official" requests for deployment-related resource sharing support which are at various stages of completion ranging from analysis and review to contracting and recruitment. Once completed, these 20 requests will account for another 703 full-time medical providers and support staff. Finally, we are aware of 14 additional potential ("unofficial") deployment-related requests that could account for HMHS' contracting for 484 full-time employees to back-fill medical personnel vacancies at military treatment facilities.

In addition to resource sharing agreements, HMHS' civilian network of providers has capacity to absorb the impact of most mobilizations. Across our four regions, HMHS boasts a robust civilian network of approximately 61,000 providers. Included in our network are 14,849 primary care managers and 1,152 hospitals. Also embedded in our network are 85 Veterans Affairs (VA) medical centers and clinics. We feel confident that this large provider network is more than capable of assuming any increase in the number of TRICARE beneficiaries who must seek care within the civilian sector.

It is the ability of the managed care support contractors to quickly adapt to changes in the capacity and capabilities of the military treatment facilities that continues to make TRICARE a successful partnership.

Although confident in our provider network's ability to provide ongoing support to the military medical community following activation of Reserve and National Guard members and the deployment of military medical personnel, we remain concerned about the recruitment, retention and satisfaction of our civilian providers. IIMHS is required to manage and monitor our provider networks and to work collaboratively with the MTF and Lead Agent staffs to ensure our networks meet the needs of our beneficiaries and government objectives regarding cost, quality and access. Recently, the focus on provider recruitment and retention has centered upon reimbursement rates. TRICARE reimbursement rates, which are intrinsically related to Medicare rates, are indeed a cause of concern to civilian providers. Recently passed legislation which prevented the reduction in Medicare and TRICARE payments to health care providers and further increased those payments will enhance provider satisfaction.

Reimbursement rates, however, are only one part of achieving network provider satisfaction. Administrative requirements unique to TRICARE routinely create hassles for providers. For example, the industry standard with respect to credentialing is based upon a three-year review of each provider in the network. TRICARE policy requires a review every two years, which is burdensome for providers that must meet detailed reporting requirements on a cycle contrary to that of other insurance carriers. In addition, TRICARE rules require a paper trail documenting work history for the provider's entire career. This is not an industry standard - typically resumes are used by the industry. The need to recontact the provider for more detail often results in extreme credentialing delays. Finally, TRICARE rules require that a provider give us names of two providers who are board-certified in the same specialty as the provider being credentialed to act as references. Again, this is not an industry standard, and it often leads to long delays in finalizing the credentialing process. We are encouraged that the Department has reviewed these requirements and, as part of the next round of contracts, has undertaken efforts to streamline them.

In addition, providers often complain about the military treatment facility's (MTF's) "right of first refusal." When a referral for specialty care is made by a beneficiary's primary care manager, the MTF retains the "right of first refusal" to provide any follow-on services arising from the referral. Some network providers complain that they are performing screening and diagnosis yet the MTF reclaims the patient for actual treatments and procedures, such as surgeries. This, they claim, adversely impacts the specialist's ability to provide continuity of

care that the member should receive. HMHS clearly understands and supports the MTF's right of first refusal to ensure the optimal use of military facilities. However, MTF's and contractors must continue to work collaboratively with our network specialist community to recognize and respond to their concerns.

Overall, HMHS has been extremely successful in reducing the amount of administrative burden placed upon network providers through the design of innovative methods of electronic claims filing and processing which have yielded more timely reimbursement to providers. We have established an on-line method of filing claims and reviewing the status of each claim filed through the Internet. This system has been well received by providers because it saves the provider's office staff time in submitting claims and it assists in the rapid payment of claims. HMHS consistently exceeds its goal of processing 90% of claims within 21 days and 95% within 30 days of filing by providers. Our provider education and relations representatives function as the link between the TRICARE program and network providers, offering proactive assistance regarding information on changes to TRICARE benefits, policies, and services. This high level of individual customer service to our providers has been well received throughout our regions.

Another area in which the TRICARE provider base can be strengthened is with further DoD/VA cooperation. HMHS has dedicated staff that concentrates solely on developing relationships with the VA to better serve TRICARE eligibles. We currently have over 85 VA facilities contracted to participate in the TRICARE program. Our group is in the process of exploring and creating a prototype and business plan to utilize our contracted VA physicians to compliment resources that DoD may be lacking. We call this "resource enhancement". The objective is to develop a model that emphasizes sharing resources and "cost" between MTF, VA and HMHS for the benefit of all locations serving TRICARE beneficiaries. For example, HMHS has contracted with a physician from the VA Medical Center in Memphis to see TRICARE patients at the Naval Hospital at Millington. This VA doctor is providing services that the naval facility otherwise would not be able to provide. Since the government is already paying the physician regardless of where he sees patients, resources are saved as the patients from the navy hospital do not need to be sent to the civilian sector for care.

We have begun a focus group/steering committee in two of our regions to discuss resources and best practices between MTF and VAMC and HMHS. The groups have worked to

create awareness, develop relationships, identify needed resources, and make recommendations for improvement of health care delivery. More specifically, HMIHS' partnership with the VA has resulted in increased providers and services in areas lacking a strong network.

While maximizing efficiencies within the current TRICARE system is integral to providing high-quality care for active military, retirees and their families, Congress should also continue to look to the private sector for innovation that will continue to build upon and improve the current program. We have learned many things in the private marketplace—we have learned that consumer-patients need information about the quality of services, treatment and providers. We have learned that medical management activities should be limited to those instances where there can be a meaningful impact on health status and/or cost.

Humana currently offers disease management to all of our six million members without regard to their type of policy or plan. We do this because we believe that these programs can have a positive impact on the outcomes and quality of life of our members, and also save money. Medicare is currently experimenting with integrating disease management programs into its fee-for-service program through demonstration programs. We applaud the Department of Defense's efforts to incorporate Disease Management into the next generation of TRICARE contracts.

Additionally, the Center for Medicare and Medicaid Services (CMS) has announced efforts to collect and disseminate information about provider outcomes for nursing homes and hospitals. While still in its infancy stages, the private sector is also experimenting with networks that would enhance provider payment for meeting specific quality outcomes. The Department should explore ways to collaborate in the collection and dissemination of data on evidence-based outcomes that will enable beneficiaries to take a more active role in making choices and managing their own health care.

In conclusion, let me thank the Committee for the opportunity to submit testimony for the record. The health and well-being of our military is essential to Armed Forces that are second-to-none. Humana Military Healthcare Services is committed to playing our role in ensuring the military community receives quality health care services. We look forward to continuing to work with Congress and the Department of Defense to achieve it.

WRITTEN STATEMENT BY

MR. JAMES E. WOYS

PRESIDENT

HEALTH NET FEDERAL SERVICES, INC.

BEFORE THE HOUSE COMMITTEE ON ARMED SERVICES

TOTAL FORCE SUBCOMMITTEE

UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 27, 2003

Introduction

Mr. Chairman and distinguished members of this Subcommittee, thank you for this opportunity to share with you our experiences in the TRICARE program and offer perspectives from a long-time participant in the program.

Over the past years, the Government dedicated its efforts to improving TRICARE, greatly contributing to the well-being of the program and its constituents. Recent proof is the 17 months of experience we have under the TRICARE for Life program, which has been a tremendous success. The latest benefit enhancements for active duty members and their families have also had a positive impact on the program. This past year, with the TRICARE program running more smoothly than ever, HNFS has been able to focus more intently on improving and enhancing the care and services we provide to the military health services population. And now, as our country once again faces the challenges of war, supporting our military and their families has become more important than ever.

Background

Health Net Federal Services has been with the DoD since the beginning of the TRICARE program, previously known as CHAMPUS. We were awarded the first CHAMPUS Reform Initiative (CRI) contract in California and Hawaii in 1988.

Health Net Federal Services is the current Managed Care Support Contractor (MCSC) for five TRICARE regions and the state of Alaska under three managed care support contracts, covering over 2.5 million TRICARE eligible beneficiaries; active duty, dependents of active duty, retirees under the age of 65 and their dependents, and retirees and their dependents aged 65 and over. Our contracts cover the following geographical areas:

Region 6	Oklahoma Texas (excluding El Paso) Arkansas Louisiana (excluding New Orleans)
Region 9	Southern California Yuma, Arizona
Region 10	Northern California
Region 11	Washington Oregon Northern Idaho
Region 12	Alaska Hawaii

Health Net Federal Services' parent company, Health Net, Inc. (HNI), is one of the nation's largest publicly traded managed health care companies. Its mission is to help people be healthy, secure and comfortable and to enhance the quality of life for its customers by offering products distinguished by their quality, service, and affordability.

Health Net Federal Services and its subcontractors have over 4,500 associates across the country serving our three managed care support contracts in 11 states. We have found that the regions with the longest TRICARE history and with contractor continuity are the most successful in meeting the requirements of the program and producing the highest satisfaction levels among all stakeholders. Evidence of this can be found in the steady decline of inquiries made by members of congress on behalf of TRICARE eligible beneficiaries.

The objective of this written statement is to focus on current issues, including access to care, the TRICARE Standard program and information security. I will also provide an update on information briefings we have provided to activated reserve component personnel, our efforts relating to Resource Sharing, as well as, our efforts in the VA/DoD sharing environment.

Access to Care

Background and Update

Access to care, be it through the TRICARE Prime network or via the Standard program, continues to be one of the primary concerns raised by TRICARE beneficiaries, although at significantly lesser levels than in years past. Each individual defines access based on their needs and experiences, offering challenging opportunities to move this issue into a more favorable position.

Last year, I addressed this subject in relation to network adequacy and growing reimbursement concerns of our provider network population. Another speaker at this hearing was Dr. Alan R. Storeygard, Chairman of the Rebsamen Medical Center Physician Hospital, located in Jacksonville, Arkansas. Dr. Storeygard, a HNFS network provider, shared his concerns regarding preauthorization and referral requirements, reimbursement levels and beneficiary access to care.

After hearing Dr. Storeygard's concerns, Dr. Storeygard and I established focused communications to better understand his concerns and created an action plan that would ensure this valued group continue their participation in the TRICARE Prime network.

The outcome of our communications with Dr. Storeygard proved to be productive and rewarding. The primary issue centered on the need to simplify aspects of the current TRICARE medical review process for certain high volume, high cost procedures. Through a collaborative effort, and in support of the services provided by the Little Rock Air Force Base, we created a pilot study that customized the referral management activities for certain procedures performed by Rebsamen Medical Center physicians. Ensuring the first right of refusal by the Military Treatment Facility (MTF) was safeguarded, we were able to complement the services provided by the MTF and retained a respected and valued group of physicians. I am pleased to report that to date, we are experiencing continued success with Dr. Storeygard and the Rebsamen group.

Dr. Storeygard's issues are certainly not unique to his practice. Monterey, California is another example. In April 2002, Health Net Federal Services met with local congressional, county and city government and physician leadership to discuss access to care, stability of the TRICARE network and provider reimbursement. In attendance were Congressman Sam Farr, 17th District, Mr. Fred Meurer, Monterey City Manager, Colonel Sandra Wilcox, CMD Clinic Commander, and local physician leaders including the Monterey County Medical Society. Local

physicians, concerned with recent cuts in Medicare and TRICARE reimbursement, began leaving the TRICARE network or refused to see new patients. While the Independent Physicians Association (IPA) listed over 275 providers in the area, fewer than 125 primary care and specialty providers would see our patients on a consistent basis. Congressman Farr stated his growing concern that the panel of health care providers was eroding and had the potential for impacting the viability of the healthcare system for active duty military in Monterey.

Working closely with Congressman Farr, Mr. Meurer, and members of the Medical Society, Health Net undertook a direct contracting initiative that increased provider reimbursement to the maximum allowed. The increased reimbursement enabled us to contract with over 690 physicians, dramatically improving access to care and physician satisfaction with the TRICARE program. Local physician leadership advised, however, that the impending Medicare physician reimbursement reduction would again erode physician participation and impact access to care.

Ultimately, partnering with the Monterey community to address network and other healthcare concerns resulted in a more robust network and furthered our relationships with physicians and community leaders. Congressman Farr extended his personal appreciation for our efforts: *"I want to personally thank you and congratulate you on the extraordinary job you have done in rebuilding the panel of doctors participating in the TRICARE program in Monterey... Your personal, highly professional, and very focused intervention had an immediate and positive effect on the situation..."*. We sincerely appreciate Congressman Farr's comments and offer comments in kind for his efforts on this issue.

Overall, our provider network continues to be stable. We currently have 77,908 providers in our network, excluding current network Pharmacies, and including 17,495 Primary Care Managers (PCM), far exceeding the standard for the ratio of eligibles to PCMs. We are experiencing an approximate 3.6 percent annual turnover rate. While this is a marginal deterioration from last year's rate of 2 percent, our provider network remains robust.

Turnover can be attributed to several reasons. Disaffection for TRICARE reimbursement remains the primary reason for departure from the network. Turnover rates also are more noticeably impacted when large IPAs, also referred to as provider groups, refuse to continue their participation in our network or the group disintegrates altogether. A physician group may represent a large pool of physicians. In reality only a subset of those physicians may be necessary to provide quality care at an appropriate level of access to TRICARE beneficiaries. If a physician group withdraws from the network, we actively seek out the providers to obtain a contract at an individual level. We have been highly successful in our efforts to replace group contracts with individual physician contracts with minimal, if any, disruption to our beneficiaries. The remaining departures were due to changes in group affiliations, moving out of state, and retirement.

While access issues will never completely be eliminated, our provider network has been able to meet the aforementioned challenges. Additionally, we have been successful in supporting recent deployments of military medical personnel in our regions. For instance, the HNFS civilian network has been able to accommodate beneficiaries who traditionally receive their care from MTF providers with little to no interruption in care.

Reimbursement

Reimbursement issues still remain the most prominent concern for providers, both network providers and TRICARE Standard providers. We are encouraged by new legislation regarding Medicare rates that will eliminate the downward trend that in 2002 effected a 5.5 percent overall decrease and authorize an increase in rates by 1.62 percent, effective April 1, 2003. However, we do not expect this increase to have a material impact on reimbursement concerns raised by providers; the perception is that this increase is relatively insignificant in relation to the rising costs of providing health care.

We continue to hear that physicians intend to limit the portion of their practice devoted to Medicare and TRICARE patients due to low reimbursement. While this is a difficult trend to track with empirical evidence, we have anecdotally heard beneficiaries in select geographic regions who find it increasingly more difficult to obtain care in the civilian medical community. Recruiting new network providers to replace the natural attrition and the diminished portion of network providers practices made available for TRICARE beneficiaries is more difficult due to reimbursement rates. Our ability to contract with providers is further hampered by the fact that costs for medical malpractice insurance are on the rise, which only serves to exacerbate provider concerns regarding reimbursement.

The government has taken a step in the right direction of increasing payments in Medically Underserved Areas (MUA). For all TRICARE claims submitted on or after June 1, 2003, TRICARE will begin offering bonus payments to eligible primary care physicians who provide services in Health Professional Shortage Areas (HPSAs). Providers may be eligible for bonus payments from TRICARE if they are currently receiving Medicare HPSA bonus payments or if they provide services in a qualified MUA as defined by the Department of Health and Human Services. While any additional assistance with reimbursement is welcome, this does not resolve the principle issue of low payment levels. In fact, this initiative will most likely intensify rate concerns in states such as Texas, where areas within a specific locale may have different designations. A prime example would be the Fort Hood catchment area. Killeen is located in Bell County. Most of our network providers supporting the Fort Hood area locate their offices in Killeen. Health Professional Shortage Areas does not consider Bell County an MUA. We also have network providers in Copperas Cove, which is located in Coryell County, and just a few miles from Killeen. All of Coryell County is designated as an MUA. While it is likely that most of the providers located in Killeen are familiar with the bonus payment practice under Medicare, that fact in itself will not temper the reimbursement concerns that have surfaced in this area. It is likely that providers will instead move to renegotiate their network agreements to account for the bonus payment for which they will not be eligible, or elect to withdraw from the network altogether, which will increase beneficiary out of pocket expense.

Again, while any assistance in this area is welcome, reimbursement will continue to be an issue until providers no longer consider TRICARE rates well below health care reimbursement norms. To acquire and maintain providers in the TRICARE Prime network, HNFS will continue its efforts to eliminate of issues that are perceived to be bureaucratic or cumbersome. We are dedicated to continually improving claims processing efforts, ensuring that claims are paid accurately and in a timely manner.

TRICARE Standard: Access and Beneficiary Education

Health Net Federal Services supports the beneficiary association's concerns with regard to the TRICARE Standard beneficiary population. Primary concerns of this large and important population are the increasing difficulty in locating a provider who accepts TRICARE and the need for more focused beneficiary education.

Access

TRICARE reimbursement concerns, as addressed above, resonate through the Standard provider community. In addition, those providers who are offering services to TRICARE beneficiaries may do so on an individual and day-by-day basis. Participation in "assignment," agreeing to accept the TRICARE allowed amount as payment in full, minus any deductible or cost-share, can be done on a claim by claim basis.

We currently provide, as required by our contract, assistance to beneficiaries in locating participating providers in their area. However, this provider population is not required to keep us informed regarding the status of their patient load, whether their practice is open or if they are willing to treat TRICARE beneficiaries. Instead, information is based on Standard providers who have previously submitted claims to us. This being the case, the information we are able to provide is limited to names, specialty and addresses of those providers who have previously been willing to provide care to TRICARE beneficiaries.

We empathize with the frustration experienced by Standard beneficiaries and would certainly welcome participating in efforts directed at resolving this access issue.

Education

In this unpredictable environment, the Standard beneficiary population may be better served if registration, similar to enrollment, were required in order to participate in the program. Registration would permit TRICARE program administrators to be cognizant of beneficiary location and other applicable demographics. This information would benefit educational efforts in numerous ways, including targeting curriculum to certain populations. Area-specific information could be more easily directed. Registration would provide the most current address as specified by the beneficiary, allowing for actual receipt of educational material instead of the high volume of return mail that is currently experienced. Registration may also help us assess the type or specialty of providers for whom Standard beneficiaries need access.

Registration is one approach to this situation. Unless registration or some other process is implemented, we do not have an adequate course of action and have no way of truly understanding the needs of the Standard population. We would welcome the opportunity to explore this issue further.

Security of TRICARE Beneficiary Information

Introduction

Health Net Federal Services clearly understands the vital nature of keeping sensitive information secure. Over the past 15 years, Health Net Federal Services, a subsidiary of HNI conducting TRICARE business, has worked in conjunction with the Department of Defense and

the TRICARE Management Activity (TMA) to implement physical and security controls to protect systems and sensitive, but unclassified, data.

Health Net has designed its organization, culture, and policies and procedures around corporate accountability, integrity, and safeguarding sensitive information that has been entrusted to us. We protect information confidentiality, integrity and availability regardless of media -- electronic or paper.

All of Health Net's sites are safe from physical attacks and unauthorized intrusion through the use of closed circuit TV, roving on-site security personnel and card-key systems.

Health Net Federal Services is fully compliant with DoD's Personal Security Program, requiring all associates to undergo a government conducted background investigation. We regularly perform vulnerability assessments and system scans to determine actual weakness of physical and information systems controls.

Our data center employs safeguards to ensure the complete protection of our electronic data assets including:

- Closed circuit TV cameras;
- Card key system;
- Two-factor authentication to access secured areas;
- Alarmed exit doors;
- Locked gate to campus during non-business hours;
- Roving security personnel on site 24 hours a day, 7 days a week;
- Disaster Recovery Plan and a full, hot site back up site of our data center;
- Fully encrypted wide area network protecting data over transmission lines; and,
- Firewalls and Intrusion Detection System Probes preventing unauthorized electronic access to our network, servers, and data.

Health Net Federal Services is moving rapidly toward compliance with two significant security landmarks: DoD Information Technology Security Certification and Accreditation Process (DITSCAP), and the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

DITSCAP Process

As part of our TRICARE contractual requirements, we are working in collaboration with TMA to implement DITSCAP. The purpose of DITSCAP is to demonstrate the trust level of systems and processes that manipulate or store sensitive DoD information. The outcome of DITSCAP will be a certification issued to Health Net Federal Services by DoD attesting that all systems and process operate at a C2 level of trust. Based on a TMA published timeline, Health Net Federal Services will receive an Interim Approval to Operate at a C2 level of trust in June 2003.

HIPAA

To ensure full and timely compliance with HIPAA, Health Net Federal Services has made significant strides toward developing and placing automated systems that will enable the

transmission of information in the manner prescribed by the Transactions and Code Sets Final Rule. Fulfillment of the Privacy Final Rule will be accomplished by ensuring that all necessary agreements are in place, protected health information is identified and processed appropriately, and that individually identifiable health information is stored and accessed in a manner consistent with law. Health Net Federal Services has received and reviewed the Security final rule and is eagerly awaiting direction from TMA to begin the process for complete implementation.

Military Treatment Facility Optimization and Resource Sharing

Health Net Federal Services has benefited from the exceptionally strong leadership at the Lead Agent offices responsible for the care delivered in their regions. Equally strong is the partnership we have forged with our Lead Agents, working towards the common goal of providing quality, cost-effective health care to the military health services population.

In support of the government's goal to optimize services provided within the MTF, HNFS has established, and continues to improve, its capabilities in support of Resource Sharing.

This past year, we were able to recapture over 1,195,416 outpatient visits and slightly less than 20,000 inpatient admissions. This achievement has enabled military medicine to maintain the proficiency levels necessary for its readiness mission while assuring beneficiary access to quality care.

In the first three months of 2003, our Resource Sharing activity is up 31 percent from the same time last year. Of the 51 MTF requests we have received this year, 30 requests are in support of medical personnel deployment. We continue to believe that the Resource Sharing program is a vital strategic tool in the optimization of the Military Health System and supports their readiness mission. We also believe that the Resource Sharing program enhances the quality and continuity of care delivered to TRICARE beneficiaries.

Activated Reserve Component Personnel Briefings

Efforts to Date

Over the past several months, during the activation of thousands of Reservists, HNFS has shared TRICARE Program information with more than 60,000 reserve component personnel and their families through more than 550 briefings. Briefings have been held in cities and rural areas all across our regions, often on a 7-days a week schedule. Health Net Federal Services is dedicated to continuing its support of the MTF commanders and Guard and Reserve senior leadership who depend on our assistance.

Veteran's Affairs/DoD Sharing and HNFS

Health Net Federal Services recognized a substantial opportunity for the government to optimize health care delivery for veterans and for the military dependent population several years ago. Health Net Federal Services has 15 years of experience in assisting DoD/TRICARE achieve its program objectives and holds three MCS contracts. Health Net Federal Services also

has 7 years of experience with VA health programs and currently holds 136 VA contracts across the nation.

We have implemented several best practices from our DoD/TRICARE experience across VA Integrated Service Networks (VISN) and Medical Centers. As a direct result of applying these best practices in the VA, we have saved or recovered over \$50 million dollars since 1999 that would have otherwise been expended out of VA health care operating budgets.

Specifically, Health Net has leveraged its managed care program expertise to support VA services in the following areas:

- We established a national credentialed civilian provider network for preferred pricing that obtains discounts for VA outsourced claims in VA's Fee Basis Program;
- We have audited and recovered DRG based claim dollars paid to civilian institutions inappropriately due to improper coding;
- We have successfully contracted with VA Medical Centers and arranged for the delivery of health care services to TRICARE beneficiaries on a space-available basis; and;
- We have worked closely with VISNs and VA Medical Centers in our TRICARE service regions to educate them about TRICARE program elements and how to efficiently submit claims under the TRICARE program. This has eased the administrative issues and encouraged the VA's participation in TRICARE.

Health Net Federal Services works collaboratively with each VA Medical Center in the TRICARE regions we serve to ensure the TRICARE program participation runs smoothly, responds to service issues and encourages the VA providers to see TRICARE program beneficiaries wherever space is available. In the last year, over \$5 million in health care services have been provided to TRICARE beneficiaries in the three MCS contracts we administer. This provides the next most efficient use of government medical resources when DoD military treatment facilities cannot accommodate the beneficiaries' service needs.

In summary, Health Net has taken the position that these two vital government health care systems can benefit from one another. There are challenges in funding mechanisms and in differing missions between the two systems but HNFS, as a principle contractor for both systems, serves an important role to encourage and advance the mission of each system. We continue to look for ways to build on our current support of VA and DoD, and to realize the many benefits of sharing medical assets across the two systems.

Thank you again Mr. Chairman for the opportunity to express my views of the TRICARE Program.



James E. Woys

President, Health Net Federal Services, Inc.

Jim Woys is president of Health Net Federal Services, Inc. (HNFS), the government programs affiliate of Health Net, Inc. -- one of the nation's largest publicly traded managed health care companies.

Health Net Federal Services is one of the largest TRICARE Managed Care Support Contractors, providing managed care services to active duty family members, military retirees and their dependents. Mr. Woys oversees the proposal, implementation, and operation of HNFS' three multi-billion dollar TRICARE contracts covering approximately 1.5 million individuals in 11 states. He also is responsible for generating new lines of business into other Government funded health care programs such as the Veterans Affairs and the U.S. Marshals, and continues to serve as Health Net's chief negotiator with the Government and with both affiliated and unaffiliated subcontractors.

Mr. Woys joined Foundation Health Corporation, a predecessor company of Health Net, in 1986 as director of Corporate Tax. He was promoted to the position of vice president, Finance and chief financial officer and oversaw all financial transactions of the company, including interactions with the Defense Contract Audit Agency (DCAA). Mr. Woys was responsible for financial oversight for all government programs and acted as chief strategist for all government proposals.

Prior to joining Health Net, Mr. Woys was a consultant at Arthur Andersen/PriceWaterhouse.

Mr. Woys earned his MBA from Golden Gate University, San Francisco. He holds a BS degree in Accounting from Arizona State University.

Health Net's mission is to help people be healthy, secure and comfortable. The company's HMO, insured PPO and government contracts subsidiaries provide health benefits to approximately 5.3 million individuals in 15 states through group, individual, Medicare, Medicaid and TRICARE programs. Health Net's subsidiaries also offer managed health care products related to behavioral health, dental, vision and prescription drugs, and offer managed health care product coordination for multi-region employers and administrative services for medical groups and self-funded benefits programs.



National Association of
Children's Hospitals

401 Wythe Street
Alexandria, VA 22314
(703)684-1355 Fax (703)684-1589

N • A • C • H • • • • • T E S T I M O N Y

Statement for the Record

**Subcommittee on Total Force
Committee on Armed Services
U.S. House of Representatives**

CHILDREN'S HOSPITALS AND THE MILITARY HEALTH SYSTEM

**Lawrence A. McAndrews
President and CEO
National Association of Children's Hospitals
Alexandria, VA**

March 24, 2003

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to submit this statement for the hearing record on the Military Health System, regarding our support for The Military Coalition's (TMC) recommendation of the establishment of a TRICARE disproportionate share hospital (DSH) payment adjustment to ensure access to health care sought by military families.

The National Association of Children's Hospitals (N.A.C.H.) represents more than 120 of the nation's children's hospitals, including freestanding acute care children's hospitals, freestanding children's specialty and rehabilitation hospitals, and children's hospitals organized within larger medical centers.

All Children Need Children's Hospitals Although they represent only 3% of the nation's hospitals, children's hospitals directly or indirectly touch the lives of all children throughout the country. They provide more than 12% of the inpatient care for all children, nearly 40% of the inpatient care for children assisted by Medicaid, and virtually all of the inpatient care for children with serious medical conditions, regardless of their source of health coverage. For example, children's hospitals provide 85% of all inpatient care for children with malignant neoplasms and 99% of all inpatient care for children requiring organ transplants.

In addition, children's hospitals train most of the nation's pediatric workforce, and house many of the nation's leading centers of pediatric research. They are a major source of primary and preventive care within their communities, and advocate on behalf of the public health needs of all children.

Children's Hospitals Service Military Families Based on 2001 data, N.A.C.H. estimates that children's hospitals provide more than \$200 million worth of inpatient and outpatient care annually for children covered by TRICARE. On average, TRICARE patients require more intensive care in children's hospitals than do others. According to N.A.C.H. estimates, the TRICARE case mix index for children in children's hospitals is 24% higher than the case mix index for all patients – 1.89 versus 1.53.

Children's Hospitals' Commitment to TRICARE Children's hospitals are committed to maximizing the partnership between children's hospitals and TRICARE to provide high quality, cost-effective care to all children, including the children of military families. However, children's hospitals report serious challenges in caring for children covered by TRICARE, particularly those with high-cost, complex medical needs whose families move across TRICARE regional lines.

The children's hospitals' experience is consistent with growing reports from military family advocates that TRICARE patients have difficulty gaining access to the care they need. There is also growing concern among providers that serve large numbers of TRICARE patients about their ability to continue to do so.

One of the deterrents to access to care for TRICARE patients is the fact that TRICARE reimbursement rates often do not cover the cost of care provided. For hospitals already serving a disproportionate share of low-income patients for whom reimbursement is inadequate or non-existent, the ability to provide care to TRICARE patients at less than cost is a major challenge.

For example, virtually all freestanding children's hospitals are recognized by their state Medicaid programs to serve a disproportionate share of the low-income patients who are assisted by Medicaid or uninsured, which qualifies them for a Medicaid disproportionate share hospital (DSH) payment adjustment. On average, children's hospitals devote more than 40% of their patient care to children assisted by Medicaid. Without DSH payments, Medicaid pays, on average, only about 76% of the cost of care provided. Even with Medicaid DSH payments, children's hospitals receive reimbursement, on average, that covers only about 86% of the cost of their care.

Today, a weak economy, growing expenses, and revenue shortfalls are forcing states to cut back on their Medicaid programs, reducing already inadequate provider reimbursement. In addition, Congress has permitted reductions in federal funding for Medicaid, and it is considering further reductions this year. Such Medicaid financing reductions will only exacerbate the difficulties children's hospitals face in trying to deliver care to TRICARE and other patients, for whom reimbursement also is inadequate.

Children's Hospitals' Support for Military Coalition Recommendation According to The Military Coalition (TMC) in testimony earlier this month, inadequate TRICARE reimbursement of health care providers poses increasing challenges to the ability of military families to obtain access to the health care they seek: "The Coalition is very doubtful that access problems can be addressed successfully without raising rates."

Among its proposals to address this problem, The Military Coalition has urged Congress "to further align TRICARE with Medicare by adapting the Medicare Disproportionate Share payment adjustment to TRICARE reimbursement." Medicare's DSH payment adjustment takes into account the need for additional Medicare support for hospitals that serve a disproportionate share of low-income Medicare patients (those on Supplemental Security Income disability) and Medicaid patients.

N.A.C.H. supports TMC's recommendation. It is consistent with TRICARE reimbursement policy overall, which is guided by Medicare policy. It also is consistent with TRICARE's efforts to ensure adequate reimbursement to physicians. Earlier this year, the Department of Defense (DoD) announced that beginning this summer it would pay a 10% quarterly supplemental payment to both Standard and network providers practicing in Health Professional Shortage Areas (HPSAs).

In particular, N.A.C.H. recommends that as part of the FY 2004 defense reauthorization, Congress grant the authority for DoD to establish a TRICARE DSH payment system. It would follow Medicare principles but be adapted to TRICARE policy to achieve adequate reimbursement to those hospitals that serve a disproportionate share of low-income patients in addition to TRICARE patients. Along with both Medicare and Medicaid, TRICARE is a competing payer of last resort. The establishment of a TRICARE DSH payment adjustment will help to ensure that hospitals are able to continue to serve TRICARE patients.

N.A.C.H. would be pleased to assist the Subcommittee as well as TMC in the development of the appropriate authority for DoD to be able to establish a TRICARE DSH payment adjustment. For information, please contact Kara Oakley, consultant to N.A.C.H., at 202/637-0637, or Peters Willson, N.A.C.H. Vice President for Public Policy at 703/797-6006. Thank you for your consideration of our recommendation.

**FLEET RESERVE ASSOCIATION
FY 2004 STATEMENT
ON HEALTH CARE CONCERNS**

**Submitted for the record to
U. S. HOUSE OF REPRESENTATIVES
COMMITTEE ON ARMED SERVICES
SUBCOMMITTEE ON TOTAL FORCE
FIRST SESSION, 108TH CONGRESS**

MARCH 27, 2003

INTRODUCTION

Mr. Chairman and other distinguished Members of the Subcommittee: The Fleet Reserve Association (FRA) is grateful for the opportunity to present the Association's concerns with regard to health care.

First, however, the Association extends sincere gratitude to the Subcommittee for its outstanding efforts these past four years in enhancing life in the military for the Nation's service members and their families. The result has been nearly miraculous. Recruiting and retention is at its highest since the advent of the all-volunteer force. The "magic" spun by this subcommittee has enriched quality of life for the men and women who serve or will serve or have retired from the Armed Forces of the United States.

With 135,000 members strong, FRA presents a well-deserved salute to the Subcommittee for, among others, adopting the repeal of the 1986 retirement system, providing "targeted" pay increases for NCOs and Petty Officers in the grades of E5 thru E9, and initiating the Tricare for Life program of health care. The Subcommittee's commitment to service members, their families, and retired military veterans is unmatched. Thanks for doing a superb job.

DOD HEALTH CARE

TRICARE. *Recommendation: FRA strongly recommends continuation of the authorization and appropriation for full funding of the Defense Health Program, to include military medical readiness, TRICARE, and the DOD peacetime health care mission. Additionally, FRA urges Congress to focus on revitalizing the Tricare Standard Program by adjusting Medicare rates to more reasonable standards and address the Medicare Part B flawed reimbursement formula. Also, make the Tricare program available for reservists and families on a cost-sharing basis.*

Funds need to be authorized for the Defense Health Budget to meet readiness needs and deliver services through both the direct care and purchased-care systems for all uniformed services beneficiaries, regardless of age, status and location. Congressional oversight of the Defense Health Budget is essential to avoid a return to the chronic under-funding of past years that led to shortfalls, shortchanging of the direct care system, and reliance on annual emergency supplemental funding requests. Even though supplemental appropriations for health care were not needed last year, FRA is concerned that the current funding level only meets the needs to maintain the status quo. Addressing Tricare shortfalls will require additional funding.

Access to care is of major concern to the FRA membership. Beneficiaries report that some health providers in their areas are not willing to accept new Tricare Standard patients. The Association believes further distinction must be made between Tricare Standard and Prime in evaluating the Tricare program. Our members report increased problems and dissatisfaction with the Standard benefit.

There are a number of persistent problems with Tricare Standard, a new name for an old program once known as CHAMPUS. First, many beneficiaries have difficulty in locating Health Providers who'll accept Tricare Standard. The paperwork is extensive and the payments are insufficient. In a FRA survey administered in early February 2003, 15 of 55 service members (27%) attending a military course of instruction complained of the difficulty in obtaining health care providers for their family members. (The remaining 40 were enrolled in Tricare Prime.) The Department of Defense (DOD) must be directed to remedy the problems existing in Tricare Standard or the program will continue to deteriorate.

Changes to the Medicare fee schedule directly affect uniformed services beneficiaries. FRA is troubled with these changes to the provider reimbursement formula. The Center for

Medicare and Medicaid (CMS) has curbed Medicare fees to applicable health care providers by 5.4% over the past two years. Cuts in Medicare payments, in addition to the providers' increasing overhead costs and rapidly rising malpractice liability expenses, seriously jeopardize their willingness to participate in Medicare and/or Tricare. Provider groups note Tricare is the lowest paying program they participate in and often poses the most of their administrative problems.

Reservists are rightfully concerned with continuity of health care for their families when called to active duty. Until recently, there was no single coverage for reservists and no coverage for some. Now, reservists called to active duty in excess of 30 days may enroll their families in Tricare Prime and have access to either Military Treatment Facilities (MTF) or civilian providers. To maintain permanence of health care, many reservists and families would just as soon keep their current health care coverage. To improve readiness in the reserves, increase morale, and ease concern for families when reservists are mobilized, DOD should be directed to consider a program whereby the reservists' current health insurance premiums are paid by Tricare.

FRA strongly endorses The Military Coalition (TMC) statement on the military's health care system. FRA is a founding member of TMC and one of its staff members is the Co-Chairman of the Coalition's Health Care Committee who assisted in the Coalition's statement.

FRA is grateful for the opportunity to submit this statement for the record. If there are questions or the need for further information, please call Bob Washington, FRA Director of Legislative Programs, at 703-683-1400.

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

MARCH 27, 2003

QUESTIONS SUBMITTED BY DR. GINGREY

Dr. GINGREY. I wanted to ask General Taylor—you made a comment, and this is something that really bothers me about the fact that medical teams in every instance do not beat CNN camera crews to the scene. And I am really concerned about that. I am concerned about the over reporting that is going on, quite honestly, the several thousand news men and women that are embedded with the troops.

And I do not think they should ever, ever get to a scene before our medical response team is there. It would be just like a family coming upon a motor vehicle accident scene and seeing their loved one laying there in the middle of the interstate having received no medical care. I am concerned about that, and I would be interested in your comments about it.

General TAYLOR. Yes, Dr. Gingrey. I mean, I would share your same concerns. And I am sure for the record, we can get the department to give you the rules that these reporters operate under. And I am sure that that kind of operation is addressed in the rules. And for the record, we will get that information back to you from the department.

But the specific rules, there are reporting rules for all these embedded reporters. They have specific rules that they operate under because they work directly for the commander. And I cannot imagine that the situation you described is not addressed in those rules. And I am sure we can get back to you on that with the detail to set your mind at ease.

By virtue of their literally serving side-by-side with troops, embedded journalists were often in the midst of fire fights and saw soldiers around them injured. It is true that the journalist might have been the first to see the injury, but there is no doubt that within seconds a medic or other unit members—all of whom are trained in first-aid buddy care—were at the fallen member's side providing care.

Fortunately, we are aware of no instances in which such a reporter aired or published a video/photograph of a wounded soldier before medics or members of his or her unit could arrive to provide care. We credit this respectful treatment of our casualties to the Department of Defense Public Affairs Office guidelines for embedded journalists, and to the journalists for honoring these guidelines (DOD Message: PUBLIC AFFAIRS GUIDANCE FOR POSSIBLE COMBAT OPERATIONS IN IRAQ COMMANDS AND SERVICES, 0900402 March 03).

Privacy and Next of Kin/Family considerations were the governing concerns about news media coverage. These considerations allowed reporters to take photos of injured troops, but they were asked to do so from a distance or from angles at which the casualty could not be identified. In the few images in which injured soldiers could be identified, the injured members had to give expressed and witnessed permission for their images to be used by the photographer.

In retrospect, we are pleased that embedded reporters complied with DoD and Air Force Public Affairs (PA) guidance. We are thankful that they were respectful of our troops' privacy and impressed with the sensitivity they demonstrated to our service members and their families by adhering to DoD guidance.

QUESTIONS SUBMITTED BY MR. HAYES

Mr. HAYES. On October 12, 2000, the Department of Defense made a change in the coordination of benefit policy that results in the application of payment limitations in all cases, whether or not any payment was made as the secondary payer in coordination of benefit issue. This policy change appears to result in the deductible and co-payment amounts allowed by a primary insurer in a given case not being covered by TRICARE even though the deductible and co-payment amount owed after payment by the primary payer is far less than the contracted TRICARE payment amount when TRICARE is the primary insurer. Why was this policy changed?

Dr. WINKENWERDER. TRICARE's double coverage policies have been designed to ensure that our beneficiaries receive the greatest benefit while incurring minimal out-of-pocket costs. In those situations where a beneficiary has other coverage in addition to TRICARE, we believe the beneficiary should rarely, if ever, incur out-of-

pocket costs. However, prior to the policy change that was effective October 12, 2000, this was not always the case.

Prior to that change, if TRICARE made no payment on a claim that involved other coverage, our policy was to leave settlement of the claim up to the beneficiary, the provider, and the primary payer. This most frequently happened on claims involving non-participating providers and network providers. When a provider chooses not to participate in TRICARE, the total payment that provider can receive is statutorily limited to 115 percent of the CMAC (CHAMPUS Maximum Allowable Charge). For network providers, TRICARE payment is limited by the contractually-set payment rate the provider has negotiated with TRICARE. In either case, if the other coverage paid more than the maximum amount TRICARE could pay on the claim, TRICARE made no payment. The beneficiary then had to pay any deductibles and/or cost-shares assessed by the other coverage. We received numerous complaints from beneficiaries, as well as from congressional representatives on behalf of beneficiaries, questioning why a beneficiary with TRICARE had to make a payment while TRICARE paid nothing.

We listened, and we agreed. We decided that in all cases, if a beneficiary was covered by TRICARE, then collection of all secondary payment amounts must come through TRICARE rather than through the beneficiary. Since the same TRICARE payment limitations for nonparticipating and network providers still apply, the end result was that no additional payments are made on these claims, but the beneficiary is protected from incurring out-of-pocket costs. If the primary payer has paid more than 115 percent of the CMAC on a claim from a nonparticipating provider, the provider has received more than the allowed amount, and neither TRICARE nor the beneficiary should pay any additional amount. (For obvious reasons, we don't enforce the 115 percent limitation on payments made by the other coverage.) Similarly, network providers have contractually agreed to accept specific payment amounts for services rendered to TRICARE beneficiaries. Therefore, if the other coverage pays more than that amount, again neither TRICARE nor the beneficiary should pay any more.

This limitation is not unreasonable. In the case of non-participating providers the payment limit has been statutorily established, and for network providers the limit is voluntarily agreed to. In both cases, the amount is established as a reasonable full payment for the services rendered. Indeed, it would be unreasonable to expect a beneficiary to pay deductible and copayment amounts allowed by the primary insurance company, when these payments would result in total payment to the provider that exceeds the established reasonable amount.

Three other points are also important. First, TRICARE coordinates benefits on every claim which involves other coverage. The fact that we happen to pay nothing on a particular claim doesn't mean we didn't coordinate benefits. It just means that the coordination of benefits indicated that nothing further was due to the provider. Second, this policy will not cause conflicts with providers' contractual relationships with primary payers. Since the patient involved is a TRICARE beneficiary, the provider is obligated to go through TRICARE to collect any costshare and/or deductible amounts associated with the primary payer. This satisfies the provider's contractual obligation with the primary payer, and what TRICARE subsequently does about paying that amount, whether we make payment or not, is irrelevant to the primary payer. Third, this policy has been in effect for two and a half years, and we have received few complaints about it during that time, nor are we aware of any areas where beneficiary access to care has been jeopardized.

Mr. HAYES. If TRICARE has chosen essentially not to coordinate benefits because TRICARE reimbursement is in almost all cases below the allowed reimbursement amounts by all other payers, under what authority was a decision made to instruct beneficiaries that they had no liability to pay those co-pay and deductible amounts allowed by the primary and which were not paid by TRICARE under the new coordination of benefit policy?

Dr. WINKENWERDER. This is addressed in the answer to Question 1. As stated above, TRICARE does coordinate benefits on all claims which involve other coverage, but the amount of payment depends on the particular circumstances of each claim. Since TRICARE pays claims on behalf of our beneficiaries, the same limitations on payments that apply to TRICARE should also apply to our beneficiaries.

Mr. HAYES. Are you aware of the ever-increasing costs of medical practice and especially the increased medical liability costs of medical practice? Are you aware that amounts allowed by a primary insurer in a case where TRICARE is the secondary insurance in communities surrounding military installations puts significant economic pressure on medical practices and is likely to reduce access of healthcare in those communities for military dependents and retirees because physicians will ei-

ther not contract with a TRICARE managed care support contractor or choose to discontinue participation in the TRICARE program?

Dr. WINKENWERDER. We are aware of the increasing costs of operating medical practices and particularly of medical malpractice, and the significant impact on TRICARE's ability to purchase health care services in some communities. The statutory linkage of TRICARE and Medicare payment rates helps to assure that TRICARE payment rates are appropriately established. For example, the intense public scrutiny of the process for setting payment rates for Medicare recently resulted in correction of some technical provisions that threatened to dramatically decrease payments to physicians. Congressional action to avert the impending Medicare cuts also allowed TRICARE to avoid these cuts. In similar fashion, assurance that Medicare payments include appropriate amounts for medical practice expenses and liability insurance costs will ensure that TRICARE payments are adequate also.

We recognize the impact of TRICARE purchased care on the local health care market when TRICARE is a large purchaser of health care. Under the next generation of TRICARE contracts, we will be designating TRICARE "market managers" for local military communities to assure that the beneficiaries have access to care and that care in military health care facilities is appropriately coordinated with care from civilian providers. As noted in the answer to question 1, in cases where TRICARE is secondary payer to other primary insurance coverage, the TRICARE payment comes after the determination by the other payer, and should cover additional liability of the patient for covered services.

QUESTIONS SUBMITTED BY MR. ACEVEDO-VILÁ

Mr. ACEVEDO-VILÁ. We understand that retired military personnel living in Puerto Rico do not have access to comparable health care benefits that are available to most retired military on the mainland. In October 2002, Dr. David Chu, Undersecretary of Defense for Personnel and Readiness, indicated to Congressman Acevedo-Vilá that the Defense Department would submit a plan for how the Defense Department would resolve the current inequity. In December, the Department wrote the Resident Commissioner that it would survey the retired military living in Puerto Rico in about six months to determine what the needs were on the island. The Committee is requesting the Department to submit a plan (including a timetable) to the Committee and Resident Commissioner outlining the steps it is committed to taking to resolved the current inequities, and to identify any barriers either legislative or administrative that prevent the Department moving forward with the triple option implementation during the current calendar year.

Dr. WINKENWERDER. The DoD believes a rich healthcare benefit exists through the TRICARE for Life and TRICARE Standard programs available to retirees and their family members.

Historically, there has been a low reliance on the TRICARE Program in Puerto Rico by retirees and their family members.

The TRICARE Management Activity (TMA) surveyed 6,000 randomly selected active duty family members and retirees under the age of 65 in Puerto Rico during January and February of 2003, regarding their level of satisfaction with the TRICARE Program. Individuals sampled were mailed both the English and Spanish versions of the survey and could respond with the instrument of their choice.

Of the 2,340 (39%) of those who responded, only 445 (19%) of retirees under the age of 65 report using TRICARE for their health care, and those who do rate the TRICARE Standard higher than TRICARE Standard users throughout the Military Health System. Their satisfaction with the TRICARE Standard benefit was just below that of members enrolled in TRICARE Prime at local military treatment facilities; however, they rate their care, primary care managers and specialty care higher than the TRICARE Prime beneficiary.

The Department will continue the current TRICARE programs in Puerto Rico and continue to monitor satisfaction. In the event of base closures or joint ventures between the Veterans Administration and the Department of Defense, we will re-evaluate the need to expand the TRICARE triple option benefit. The Department is committed to providing accessible and affordable quality health care to our beneficiaries and will closely monitor the TRICARE Program in Puerto Rico.

FISCAL YEAR 2004 NATIONAL DEFENSE AUTHORIZATION ACT—U.S. AIR FORCE REPORT ON SEXUAL ASSAULT ISSUES AT THE ACADEMY

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
TOTAL FORCE SUBCOMMITTEE,
Washington, DC, Tuesday, April 1, 2003.

The subcommittee met, pursuant to call, at 1:01 p.m., in room 2118, Rayburn House Office Building, Hon. John M. McHugh (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE

Mr. MCHUGH. Meeting will come to order. I want to thank everyone for being here, certainly to our two presenters this afternoon, Secretary Roche and General Jumper. Gentlemen thank you. I know this is a very emotional issue for you and one that obviously as you heard in the Senate yesterday, commands a lot of attention and a lot of concern here on the Hill.

The Air Force Academy together with a military academy at West Point and the Naval Academy have long represented what is good, right and I think it is fair to say magnificent about the U. S. Military Services. America has come to look at these institutions as centers of excellence. And to expect a standard of performance that exceeds other American institutions.

For that reason alone, reports of a breakdown in the Air Force Academy's ability to prevent the sexual abuse of female cadets, protect the victims and punish the perpetrators have shocked us all very, very deeply.

Situation at the Air Force Academy deteriorated to such an extent that female cadets were apparently unwilling to report the abuse to command authorities and some today apparently remain unwilling to discuss their cases with Air Force investigators. They just do not believe that the Air Force will appropriately address their concerns.

Such loss in confidence in leadership is a cancer that if left untreated will destroy a military organization. Beyond that, left uncorrected, it means that the terrible personal price being paid by female cadets who are abused by others at the Academy will continue.

Today's hearing is an effort to begin to understand how this highly disturbing situation at the Air Force Academy developed, and more importantly, how the Air Force leadership intends over

the longer term to change the Academy system and culture so that such abuses do not occur ever again.

This is also an issue of how the Air Force intends to handle the individual cases of abused female cadets that were reported but not properly handled, as well as cases that have emerged that were never investigated.

As I said to both Secretary Roche and General Jumper at the full committee hearing on February 27, 2003 holding Air Force Academy leadership accountable for the failures in the system is an important action that must be taken. The Air Force in my mind has not yet moved to do that fully enough.

Reassignment of some of the leadership is not the same as holding the leadership accountable. So I specifically would like to understand better the rationale for the actions taken, and how accountability for serious breaches of good order and discipline at the Academy will be exacted both today and in the future.

Before I introduce our witnesses, let me offer Ms. Sanchez who will serve today as the acting ranking member and we are joined by the formal ranking member, Dr. Vic Snyder who will not be able unfortunately to stay for the entire hearing but whose interest and concern on this subcommittee in general and on this issue in specific areas is well known and a reputation of concern that is well deserved. So with that, let me please yield to the gentlelady from California, Ms. Sanchez.

STATEMENT OF HON. LORETTA SANCHEZ, A REPRESENTATIVE FROM CALIFORNIA

Ms. SANCHEZ. Thank you Mr. Chairman. I want to join you in welcoming our guests today, Secretary of the Air Force and our Chief of Staff of the Air Force. I look forward to hearing the details of their efforts to address the recent allegations of sexual abuse and assault to female cadets in the Air Force academy.

A number of my congressional colleagues and I are deeply concerned about the growing number of female Air Force cadets who have come forward with these allegations of sexual assault and abuse. And while it is important that we hear from you I feel like it is *deja vu* and what do I mean by that?

Well, only nine years ago a representative from the General Accounting Office (GAO) testified before the Senate Armed Services Subcommittee on Force Requirements and Personnel on the need for further efforts to eradicate sexual harassment at the service academy.

The GAO testimony was based on a 1994 report which found that the academies had generally complied with the minimum requirements related to sexual harassment programs and policies required by the Department of Defense. However, more compelling was the fact that the compliance did not include sexual harassment prevention and education reviews by the Services Inspector General.

In addition, the GAO report went on further to state that none of the academies had developed useable trend data to assess the effectiveness of its sexual harassment eradication program. The Air Force Academy in particular had not conducted routine and systematic program evaluations, and why would this be significant?

Because a disciplined evaluation approach is necessary to determine whether efforts to eradicate sexual harassment are working or whether new programs and policies should be implemented. And I believe as many do that sexual harassment is the beginning of a culture that allows us to get to the types of allegations that we are seeing today.

A year later in March, 1995 the GAO was requested to conduct an update on the review of sexual harassment at the academies. And the results? The GAO report stated that the proportion of women at the Naval and Air Force Academies who reportedly experienced some form of sexual harassment a couple times a month or more often represented a statistical significant increase from the 1990-91 levels.

The question the Air Force leadership needs to address is whether the Air Force Academy has conducted routine, systematic program evaluations of these sexual harassment programs since that 1995 report. And if they have been conducting such evaluations why is the system failing to catch the increasing number of sexual assaults and abuse that are occurring? And if you have not conducted those evaluations, why not?

While I applaud the Air Force for deciding to replace the current Academy leadership, this issue is more important than just a failure in leadership. It is systematic and cultural bias and a lack of respect for women.

It is very difficult to understand how we can take our best and our brightest of both genders from high schools where we do not see these types of attacks happening on a routine basis and place them in an academy of high caliber and have these types of allegations come forward.

There is no doubt that there is no tolerance for harassment of any type and these assaults are basically crimes—that is what they are—on women. Americas families send their best and their brightest women to attend our Nation's service academies.

They do so because they know that our women have much to contribute to our national security. And these women in uniform should be treated with respect and admiration as they deserve.

Thank you Mr. Chairman.

Mr. MCHUGH. I thank the gentlelady. By way of explanation to both the Secretary and to the Chief, and to the members, in theory we had this hearing room until four o'clock. I say theory because about three o'clock we are going to be called for a series of votes which in effect means that we have the hearing room until three o'clock.

This is a very important issue, and I do not want to deny any member his or her time, so one suggestion, one rule, suggestion is that we try to keep our opening statements to a minimum without denying anyone the opportunity, and the second is for the first time in my eight years of being a subcommittee chairman in one form or another, we will be employing the five minute rule. And with that—

Ms. SANCHEZ. Mr. Chairman, with that may I submit for the record the statement from one of our colleagues, Congressman Michael Honda.

Mr. MCHUGH. Absolutely, without objection. Mr. Honda's and all submissions for the record will be entered in their entirety.

[The prepared statement of Mr. Honda can be found in the Appendix on page 837.]

Ms. SANCHEZ. Thank you.

Mr. MCHUGH. and with that I would yield to other members who would like to make an opening statement at this time.

Ms. Miller.

Mrs. MILLER. Thank you Mr. Chairman. I would certainly also like to thank the witnesses, Secretary Roche and General Jumper for testifying before this subcommittee on an issue that if the allegations are in fact true, has become unfortunately a very black mark on a wonderful institution.

Recent reports about rape and sexual assaults have cast a very dark shadow over the integrity of our service academies and if these reports are accurate, then more than 50 complaints of sexual misconduct have been reported at the Air Force Academy alone since 1993, with a majority of the perpetrators receiving apparently little or no punishment.

And indeed there are apparently cases where a female cadet has reported a sexual assault and instead of her assailant receiving the appropriate condemnation, the female cadet herself has been subject to punishment for minor ancillary violations.

Certainly it is incumbent on all of us first of all to make sure that the allegations are real, that we do not jump to conclusions and that innocent individuals are protected. However, if these reports do prove to be true this is simply disgraceful.

And the simple fact that this unhealthy situation has been allowed to continue for so long speaks to an institutional culture that has manifested itself by lack of effective command, control and supervision.

Sexual assault is both a serious and incredibly sensitive issue that needs to be addressed immediately in order to preserve the confidence of the American people in our armed forces. I recently had the privilege actually of nominating a young lady from my district to the Air Force Academy.

And as I was interviewing her I was struck by how very bright, how very optimistic and how very decent she seemed to be. And her parents came with her and it was obvious how proud they were of her and of her decision to seek a career in the armed forces, particularly the Air Force.

I told her that if she was accepted to the Air Force Academy the country would be investing an incredible amount of money in her education, but that I was certain that she could prove herself and would prove herself to be a very capable person that would make both her family and our Nation proud.

And just last week I received a notice that she had been accepted into the Air Force Academy and I will be looking forward to following what I am certain will be a remarkable career for this young woman.

The young men and women at our academies are indeed the best and the brightest our Nation has to offer and it is our responsibility to ensure that they are able to take full advantage of this opportunity with an eye towards their future. And in the case of a

young women without fear for their personal safety. And to do less would be a disservice to them and to the United States.

Certainly, on the positive side, I am pleased to note that the Air Force has taken some important steps to rectify the situation, including the removal of the Director of the Air Force Academy and the rewriting of the Cadet Code of Behavior. These are very important steps toward clear direction from the top down that will ensure that all cadets, male and female see these changes as the beginning of a zero tolerance policy.

All of us are incredibly proud of our armed services and I certainly look forward to working together as a team to ensure that this issue is resolved and resolved properly. Thank you.

Mr. MCHUGH. I Thank the gentlelady. Do any other members of the subcommittee wish to make a statement at this time.

We have been joined and I would ask for a break from the normal committee process, whereby we do welcome members of the full committee but generally do not allow statements by them, at this time. But we have been joined by two particularly esteemed members, Mr. Hefley and Ms. Wilson—I drew a blank, I apologize Heather—who would like to make statements? I would like to extend to them that courtesy.

And I would be honored to yield to the subcommittee chairman, the Readiness Subcommittee, the gentleman from Colorado, Mr. Hefley.

Mr. HEFLEY. Mr. Chairman, thank you for your courtesy and for letting Heather and me sit in on this hearing because it is very important to both of us as it is to all of us. And I have no formal opening statement, but let me just say, gentlemen, that I read some criticism of both of you from the testimony over in the Senate. And let me say that I disagreed with what I read.

Both of you and I; you have worked with me openly and candidly from the very first day that this thing broke. I have appreciated that and the thing I have appreciated the most is that neither one of you took this casually. Neither one of you kind of passed it off or swept it under a rug. Both of you took it with the seriousness that I think it deserves, and I want to say thank you for that.

What I was afraid would happen is what so often happens in big organizations that is, you would, oh we got a problem go fire and forget, go get rid of someone, we will find someone to be a scapegoat and we will get rid of them, and then we will say "oh everything is just fine." You did not do that. And I appreciate that, because we have a system that is broken out there.

I am not surprised these kind of things happen, they happen in colleges all over the country. But I am, was very surprised, very shocked and very disappointed at the culture that seems to develop that allows it to be handled the way it was traditionally handled out there. And I think you were just as shocked and displeased as I was.

So I think we have a system that is broken, we want to hear from you today how that system is going to be fixed. As I told you before, I have three daughters. And I would like to feel that the safest place in America that I could send my three daughters to college is the United States Air Force Academy. And we are looking to you and with our involvement I hope to make that come true.

And Mr. Chairman I would stop with that.

Mr. MCHUGH. I thank the gentleman. Next I would be honored to yield to the gentlelady from New Mexico, who obviously has been a key player not just on this issue but other issues, sexual abuse and so many others including the spousal death, the tragic murders at Fort Bragg and so forth. Ms. Heather Wilson.

Ms. WILSON. Thank you Mr. Chairman, I come to this hearing with a considerable amount of sadness and personal interest as I think all of you can understand as both the only woman veteran in this House but also as a distinguished graduate of this institution and in the third class with women, and as a former commander of base cadet training in the United States Air Force Academy.

I believe I think, as you do, that it is absolutely intolerable to commission anyone as an officer who would prey upon their subordinates. It is intolerable. And the question then becomes how do we fix it. How do we not fire and forget. How do we not make this an issue of scapegoats and focus on the policies and the contributory factors that increase the risk of assault and the failure to report assault because of fear of reprisal. How do you change those things.

I read through your testimony last night Mr. Secretary and I have done some more reflecting on this and I think that there are a lot of good ideas and good direction in it. I think the mentoring focus, the focus on leadership development, the consolidation of investigation in case management and medical and disciplinary into a single point where they were fragmented before were all good ideas worthy of pursuing.

But I also think there are some things missing that also need to be added into the approach at the Academy. Policies that foster a culture of respect and acceptance of women as full partners in our Nation's defense, that address the culture and the tolerance of discrimination towards women. It existed when I was there and I suspect still exists today.

I think we also need to look at follow on assignments for Air Officers Commanding (AOC), because if you get good follow on assignments for AOC's, you will have the best and the brightest apply to be AOC's. And it will not be a dead end, backwater assignment.

I also think though that there are some distractions in your recommendations, some bells and whistles that are probably counterproductive because the cadets will respond to them as being bogus. And I have already got some e-mails on some of them. Things like pilots—and graduate school and dates of commissioning, dates of rank, I do not see how any of those relate to reducing sexual assault at the Air Force Academy.

And there is an issue of whether women will be segregated on the first day they show up at the Academy, one that was a surprise to me in reading the testimony last night. It was a surprise because that was one of the things that was criticized in the response to sexual assault in some of the cases that were brought forward.

The victim was the one that gets moved. This is not about segregating women from men. It is about segregating rapists from the Academy. And that is where we need to focus.

I am still wondering exactly where we go from here. I am at the point where I have been impressed where you have come so far but

I think we may need an independent review of the problem and of the proposed solutions. And the reason is that we are now at a point where the monkey is firmly on the back of the United States Air Force.

And sometimes when that is the case, the pressure of deciding things in a very short period of time yields policies that perhaps on reflection are not in the best interests of the Air Force. And maybe that is stepping back. That independent review will allow us to make sure that the policies that are implemented to correct this are the appropriate ones.

Thank you Mr. Chairman for your indulgence.

Mr. MCHUGH. I thank the gentlelady. Yet a further amendment to the previously amended rules—both Ms. Wilson and Mr. Hefley obviously are members of the full committee—we have been joined by the gentlelady from Colorado, Ms. DeGette, who obviously being from Colorado has a particular interest in this, who has asked for a moment to say a few words in opening, and with no objection I would be happy to yield to her at this time. Ms. DeGette.

Ms. DEGETTE. Thank you so much Mr. Chairman. I basically wanted to express my thanks to you and to the committee for allowing me to sit in on this important hearing today. Obviously the spate of revelations lately about sexual assault and really a culture of rape that has developed at the Air Force Academy has concerned I know Mr. Hefley and myself and all the members of the delegation.

I want to associate myself with the comments just made by my colleague from New Mexico. Ironically a lot of people do not know this, we actually knew each other when she was a cadet at the Air Force Academy and I was a student at Colorado College right down the road. And I think she is right when she says that, when she says that window dressing or segregating the women at the Academy is not going to solve the problem. And I was pleased with a few of the new directives I heard from the Air Force last week.

But many of those in my view are window dressing. I am going to tell you that if you institute a rule, well taking down the slogan is going to do nothing to change the culture of rape at the Academy. But even beyond that, the basic cadet life, some of the proposals were alright, but they are really not going to stop rape.

Things like knock on the door before you go into a cadet's room. If someone is hell bent on raping a female cadet, they are not going to knock first and instituting a rule like that is not going to stop the culture of rape. So I am interested in hearing what the witnesses had to say today about how we are going to change the entire procedure at the Air Force Academy so that we do not have this culture which subjects women to sexual assault and which makes them feel like they are the perpetrator if a sexual assault happens.

One final note, and perhaps someone can explain this to me today because I am very interested in it. One of the directives that was adopted last week said that there is going to be a period for the female cadets where they will be, a period where they will be forgiven for what they did if they come forward.

And I would like to know what, if they did not do anything wrong, why we are going to forgive them for what they did. I think

that shows a wrong view and I think it shows the blame the victim mentality that I have deep concerns with.

And I will yield back and again thanks so much to the chairman and the rest of the members of the committee.

Mr. MCHUGH. The Gentlelady is very welcome, we are honored by her presence here today. The gentleman from Massachusetts, longstanding member of the full committee and esteemed member, welcome member of the subcommittee, Mr. Meehan would like to say a few words.

Mr. MEEHAN. Thank you Mr. Chairman and I will be brief. I am ranking member on the Terrorism Subcommittee and we meet at two o'clock so I did not want to miss an opportunity to just make a couple of brief remarks.

And I would agree with Mr. Hefley that the response of Secretary Roche and General Jumper was strong and swift and I had made a comment before the full committee that we need to learn lessons. And I remember when the Tailhook scandal first broke and there were a lot of efforts to cover things up. And I think that has not been the case in this instance.

Secretary Roche in recent days I think has defended the actions of the current leadership of the Academy. I probably will not be here to be able to ask a question, but it does seem to me that the current leadership did inherit a terrible problem at the Academy that was not necessarily their fault.

However, it is not clear from the reports I have seen and I would be interested in the testimony of the secretary and the general as to whether or not the leadership, Generals Dallager and Gilbert made serious attempts to improve the climate that they inherited.

From my perspective, commanders have a responsibility to improve a climate that they inherit and I really have not seen that much in terms of what they did. An example of what I am interested in is the so called amnesty program.

It is my understanding and I may be wrong, but cadets who reported rape or sexual assault were not granted amnesty for other minor violations. For example unauthorized use of alcohol or unauthorized dating that they may have committed during the course of the assault. And it seems to me that that is a policy that discourages the reporting of sexual assault and is in an area as one member of the committee I would be interested to see what was employed and what corrections or changes need to be made.

I thank both the secretary and the general for their appearance and enjoy working with both of them. Thanks, Mr. Chairman.

Mr. MCHUGH. Thank the gentleman. Mr. Secretary and Chief thank you again for being here today. Obviously this is an area of deep concern I know with you, I certainly trust with the Air Force command and with all the members of this subcommittee and all our honored guests. So we look forward to your comments. And with that, Mr. Secretary I would yield to you for any statement you would like to make at this time.

STATEMENT OF HON. JAMES G. ROCHE, SECRETARY OF THE AIR FORCE

Secretary ROCHE. Thank you Mr. Chairman and we will get to I think the specific issues and questions and we would be delighted

to address them. Mr. Chairman, Congresswoman Sanchez, Congressman Snyder, members of the committee, Ms. Wilson and Mr. Hefley, we appear before you today to report on our agenda for change in the United States Air Force Academy as a result of complaints regarding incidents of sexual assaults there and our response to those complaints. We have provided the committee with a copy of the document and ask that it be entered into the record sir.

Since January of this year we have been engaged in a comprehensive review of the investigative procedures, disciplinary processes and overall climate and culture at the Air Force academy. I should tell you that I have been in this position since June of 2001 and General Jumper since September of 2001.

We have found that we have been drawn to the Academy to work on issues time and time again. In the past we have reviewed and had to make changes to the honor code system and the processes. We have had to make changes to how athletes are recruited and numbers of recruited athletes, and we have even gotten involved in the curriculum because we found it was starting to depart from the technical basis that it should have.

So it has drawn us, yet in all of that we did not expect to have to deal with what we are having to deal with and I can tell you the entire Air Force is quite taken by how much this hurts all of us, not just the graduates of the institution who it especially hurts, but all of the Air Force that we have to have this sort of incidence occur.

Our focus throughout has been on fulfilling our goals of educating, training and inspiring in Air Force leaders the highest character and integrity, ensuring the safety and security of every cadet and enhancing the trust and confidence of the American people in the Academy.

As we have worked, we have been blessed with some help from members both the Senate and here in the House and I would like thank them for all that they have done and their inputs. However, as the results are ours, we take responsibility for them.

Mr. Chairman, if I may we would like to be clear how we view our responsibility in terms of protecting the cadets, attacking the climate and cultural issues that occurred at various reportings, our views on accountability and our position on independent review of this matter.

First we have expeditiously pursued our review at the Academy and issued our agenda for change because of our responsibility to protect the cadets who are at the Academy and the incoming class will be attending the Academy this June, less than 90 days from now. And we needed to make sure that everyone realized how serious this was and that this was not a small portion of Academy life but that reflected something associated with a larger climate and a larger culture at the institution.

As a responsible agents for the safety and security of the men and women at the Academy, we immediately addressed these issues so we could reassure the parents of our current and future cadets that their children would be safe at our institution. Something we never thought we would ever have to do. Further we want to reassure you and Members of the Congress that the young

Americans we appoint to the Academy will attend an institution as worthy of the trust and confidence of all Americans.

We are committed to eliminating the climate at the Academy that does not deter and then discourages reporting of sexual assaults. It is just that simple. We are determined that this be a zero tolerance institution and that we get at the root of why these are not deterred, why these happened and then why assaults are not reported when they ought to be reported.

The issue was thought to be successfully addressed in 1993. We believe that sexual assaults and cadet attitudes towards women cadets is part of a larger problem of the climate at the Academy which is inconsistent with the culture we desire to be there.

Therefore, we have addressed the larger issue as well as the potentially despicable act of sexual assault and we recognize that you do not fix this with any one set of directives or any one incident, but this is a journey of, a long journey that has to be taken and addressed time after time.

General Jumper and I have made it clear to this committee, to the cadets, the American people that we will not tolerate in our Air Force or in our Academy those who sexually assault others, those who would fail to act to prevent assaults, those who fail to report assaults or those who would shun or harass those who have the courage to report incidence of criminal behavior.

And as has been noted, we do not wish to commission any criminal. We do not want any such person in our Air Force. We do not want him flying one of our airplanes and we certainly do not want him flying an airplane with plenty of weapons on board.

On the issue of accountability and responsibility please let me be clear. We will hold those officers charged accountable for failings for which they are responsible. The adverse climate has been present for at least a decade.

I have agreed to look deeper into the possible responsibility of present and previous leadership of the Academy. Therefore, I have asked the general counsel to investigate two questions as part of her review. One, has recent leadership of the Academy—that is not just the two generals who are there but their predecessors as well—did they have information available to them which should have rang alarms such that they should have acted with great vigor.

And what did they do and did we believe that that is sufficient, relative to the information they had when in fact in the larger was not, but did they believe they were taking the right kinds of measures.

Second, did recent administration's at the Academy, did anything that put additional barriers or put barriers in the way of a cadet coming forward to make a report of sexual assault? Both in terms of how the Academy dealt with issues specifically amnesty, or in terms of the fear of being ostracized by her peers.

If it is shown that any of the three ongoing reviews—that being done by general counsel, that being done by the Inspector General (IG) of the United States Air Force and that being done by the Inspector General at the Department of Defense, that credible information came to the attention of leaders and that they should have

acted upon it or that they failed to follow due process then they will be held accountable.

And we continue to be open independent reviews of this matter. As we stated, we did not wait to form outside commissions or turn this matter over to other bodies for review because of our concern that we needed to act to make immediate changes and to communicate to the Academy that this was a major problem which the entire Academy and Air Force needs to address.

We have changed the leadership team for change to make sure the class of 2007 starting as I said in less than 90 days enters a new environment that promotes reporting of criminal acts and further protects all of our cadets. The DoD inspector general, and the Air Force inspector general revealing individual cases to ensure that there was no miscarriage of justice and to ensure that due process was afforded to all victims and those accused.

We welcome views and suggestions of outsiders and in particular will be meeting with our Board of Visitors who have been helpful to us in this matter within the next 30 to 45 days to brief them on everything, to show them what we have done, to begin and then to ask them to help us establish an independent review board who can not only go in and take a look at what is there, but to see if we are on the right path so that we do not have this problem in 2013.

There was a problem in 1993, a problem 2003, we cannot have a situation where we allow another problem to develop in 2013, and that we believe that the Board of Visitors is the right body to help form this group and that this group would be asked to not only participate immediately but also to help us in the reviews that we have scheduled for every three years so as to do an audit of what has been done over that period of time.

We welcome these reviews because they support our objectives of protecting the cadets, eliminating the climates that create barriers to reporting, it will help us commission leaders of the highest character, integrity and values and if any of the reviews there is found to be additional responsibility we will ensure that accountability goes with that responsibility.

We believe the proportion of cadets who would commit these acts is very small, but even one is too many. And the climate that seems to allow this must end. We do not want to graduate a criminal or someone who has a corrupted sense of character and charge him to lead our airmen or go into combat with any of our other airmen.

Now Mr. Chairman, if I may, I would like to touch on a few preliminary findings and then turn the microphone over to General Jumper. We found as just some of them of significant indications of the primary value among many of our cadets is loyalty to each other, rather than loyalty to values. There have been repeated indications from cadets, faculty and staff interviews indicating cadet unwillingness to report fellow cadets even for criminal behavior including sexual assaults and we have to alter that kind of a climate.

The interviews suggest that this loyalty manifests itself in a fear of ostracism, if they appear to be disloyal to the group and they appear to believe that reporting is inconsistent with the culture that says cadets are supposed to support one another.

We have—the process used to encourage confidential sexual assault reporting, a process implemented in 1993 has had the unintended effect of impeding or preventing altogether the investigation of reported assaults and remove the process from the chain of command who normally would be on top of the issue immediately and carrying out what needs to be carried out as they would at any one of our bases.

We have verified that prior to the completion of some Office of Special Investigations (OSI) investigations at least some cadet victims have received notice of disciplinary action for violating cadet regulations where the behavior roles from prohibitive activity to assault complaint.

There is at least one case where a cadet came forward-had the courage to do so-the investigation was ongoing, instead of the assailant, or alleged assailant being separated from her, she was separated from a squadron in which the assailant was a participant and there was no feedback.

This was so bizarre that as we dug into it we have found that there has been some very bad legal advice given to the leadership of the Academy. In particular they used to separate the assailant away from the squadron and have the assailant stay at the prep school down the hill, go to classes but then sleep and eat at the prep school.

Somewhere about ten years ago it was decided this was tantamount to pre-trial confinement and therefore that could not be done. So the only thing they had to do was to move the victim, which unfortunately takes her away from her support group and makes it look like she is the problem and not the assailant.

We have found to our surprise and we are currently involved in arguments with our own attorneys that there are provisions of the privacy act which prohibit the leadership of the Academy to give the proper feedback to a victim as to what has occurred in the case of the assailant if there is insufficient evidence for the matter to go to trial, but that if it is handled by non-judicial punishment or by administrative means that they are prohibited from telling the victim how things have been dealt with.

We have to work at this to find out the basis for this and to change it, because the victim is left having made a complaint and then not given the proper feedback so that she understands what is happening in the process. And remember the things we are trying to institute get at that very issue.

Our overall sense is that a female airmen first class at any Air Force base has a far better support structure if a problem arises. A far better process and chain of command to deal with the problem than a female cadet at the Academy and that is absolutely shameful. We have definition problems because we have used different definitions of sexual assault at the Academy than we do at our bases.

We have been told for instance that female cadets were told that if they consumed alcohol they could not by definition give consent which only complicated the issue if they believe that because there is no basis for that in the law. And we said, as I said the feedback to the individual cadets has not been what it ought to be.

We have had a series of cases-there are 56 if you add the newest ones-20 of those constitute situations of cadet on cadet accusations of rape, three were later recanted so we are talking about 17. But the numbers that we are dealing with are not nearly as important as what has occurred to General Jumper and me in the intervening times, Mr. Chairman.

The number of female officers that we know professionally who are superlative, simply superlative, who have taken the time to come up to us and say I have never told anyone, but I think you ought to know what happened to me. Suggesting that the problems we are dealing with are very longstanding, go back a long way and that we have to change the entire culture of the Air Force Academy in order to deal with this particular problem.

The focus is sexual assault, the reporting, et cetera, but it is embedded in a larger culture and that culture must change. It must change to a culture where performance of an individual is what counts, not their gender, not their alma mater, not their race, but their performance, and we intend to make that happen.

This has bothered all of us, this has bothered us at a time when we should be focusing on supporting our combatant, our component commander who is supporting General Franks, but this is so important for our future that it has consumed the time of both the chief of staff and myself.

If I may now sir turn this over to General Jumper.

STATEMENT OF GEN. JOHN P. JUMPER, AIR FORCE CHIEF OF STAFF

General JUMPER. Mr. Chairman, Ms. Sanchez, distinguished members. Sir I am here today to report to you that the Superintendent of the Air Force Academy reports directly to the Chief of Staff of the Air Force. And I am absolutely dedicated along with Dr. Roche as we have heard to return the Academy to a place that graduates officers of the highest character, honor and integrity.

The standard that you see demonstrated every day, Mr. Chairman, over the skies of Iraq many of those pilots and crew members that we see over the skies of Iraq are Air Force Academy graduates.

I have been closely associated with the graduates of the Air Force Academy for 37 years in my career and I can tell you sir they are indeed the best among us. And our intent is to fully return the Air Force Academy to the stature of an institution that has the trust and confidence not only of this committee but of the American people.

As the secretary has said, we have had to react to a situation where certain steps had to be taken within the 90 days where new cadets will report to the Air Force Academy and to reassure the parents of those cadets that their children are entering a place that is safe and a place where we can assure their proper safety and education to become an officer in the Air Force.

But we also have come across the fact as the secretary has said of larger problems. A problem where victims come forward and appear to be afraid to approach their chain of command with their problems. This is not true anywhere else in the Air Force. And this is the climate that we have to attack that we have to correct.

The changes that we have put in place and are putting in place will ensure that any cadet can enter and approach anyone in the chain of command and assure that they will be put into an environment where the victims emotional condition will be respected and the victim will find an advocate to make sure that the case is heard properly through each step of the process.

As to accountability, as the secretary and I said in the news conference as we rolled out our agenda for change, as we go through the process either the Inspector General or other parts of the process, whatever long term independent looks are taken, when it is discovered that accountability for a certain problem is the appropriate course of action the secretary and I are fully prepared to take those steps.

In that regard, as the secretary has said, independent looks are welcome. We stepped out quickly knowing that it would take some time to form independent commissions and independent looks and knowing that we had to take some action before the new cadets arrived we stepped out smartly with what we thought were appropriate changes to the situation at the Academy.

Sir I am most troubled by the fact that within the culture there seems to be ambiguity among the cadets about priorities of loyalty. And that loyalty to comrades, even comrades that might be criminal stands above loyalty to the institution and loyalty to values. This will be a main topic of my personal attention as we implement changes at the Air Force Academy in the weeks ahead prior to the arrival of the new cadets.

I fully intend to stand before the current second class along with the Secretary of the Air Force that will be the senior class next year and along with me a graduate from each of the classes of the United States Air Force Academy since its first class and lay before them a charter that helps them accept the responsibility for the discipline, for the culture, for the character of those that are below them in a way that will help us weed out, as Congresswoman Wilson said those criminals among us. We will not graduate or commission a criminal in our United States Air Force sir.

Along with that, other specifics will be put into place such as the Air Officer Commanding training that was discussed earlier. In the budget strains of previous years we indeed cut out the formal training of our AOC's and began to appoint those officers who were in charge of a cadet squadron from the normal pool of applicants and failed to do the sort of quality screening and quality preparation that is required to put an officer into that very different environment at the Air Force Academy.

As was also suggested we failed to make sure that their assignment was considered a prestigious assignment and reward that prestigious assignment with the proper follow on assignments. Those things have already been corrected along with the proper training of our noncommissioned officer (NCO) core as they relate to the Academy and a number of other steps that will go along with ensuring that our Air Force Academy reflects the norms and the day to day processes we find out in the United States Air Force day in and day out.

Mr. Chairman, I am here again to pledge to you a return to the Air Force Academy that Ms. Wilson remembers and that members

of the Air Force Academy alumni from whom I have heard much also remember. Thank you sir I look forward to your questions.

[The joint prepared statement of Secretary Roche and General Jumper can be found in the Appendix on page 825.]

Mr. McHUGH. Thank you general. And thank you Mr. Secretary. Just to begin to give ourselves some context, both of you gentleman, most of us here today, every news report I have read uses the word culture.

Mr. Secretary, you also used the word climate, essentially meaning the same thing. A set of embodied principles or beliefs or behaviors within the Air Force Academy that somehow allowed this, if not nurtured it. I am not sure either of those words culture or climate are well defined.

Mr. Secretary, in the latter parts of your remarks, I think you touched on some of those cultural specifics. Practices separating victim rather than perpetrator. Other kinds of issues. But I was wondering as I read your document clearly this is something that is designed to try to amend the culture, and I commend you for that. But I was wondering just for a point of reference, could you help me at least understand more clearly what specifically was in the culture of the Air Force Academy that somehow seemed to suggest this abhorrent behavior was alright?

Secretary ROCHE. I will start sir and then ask General Jumper.

Mr. McHUGH. Thank you sir.

Secretary ROCHE. Clearly this starts with this horrible situation of sexual assault. When we began to look into it, how was it treated and why were victims not treated well, we found that in 1993 there was this program that was referred to as the amnesty program, which was discretionary.

Well, I benchmarked against the Naval Academy and going out to the Naval Academy asking, and they have a program wherein if someone brings forward an accusation of sexual assault, they deal with that accusation but then they go back to the individual and midshipmen and if they in fact had broken any of the rules of the Naval Academy, then they were issued demerits etc. It appears not to be a major barrier for someone coming forward at the Naval Academy but it does at the Air Force Academy.

Therefore that led us to think well, what else was surrounding it? Clearly such things as not being able to tell the victim what happened, and this is a legal fight, Mr. Chairman. We may have to come back and ask for your help to deal with this matter of privacy for the assailant which means the victim is left without information. Or the fact that you cannot separate the assailant because it is pre-trial confinement which is just bizarre in our mind if you then in order to ensure the safety of the young woman, have to move her out. That seems crazy.

We found that the amnesty program was either not implemented with enough standards so as to be credible, and the more we thought about it we said the issues associated with the Academy's infractions are just not relevant to crime. One is a crime, a sexual assault, when it is treated with the proper definition as I have said we have had definitional problems, and the other infractions of the Academy. And a lot of the cadets were concerned that not only if they came forward they would receive some punishment, but that

associates who were with them in a party environment would also wind up having to be subject to this.

And so our sense was we will overrule the system and give blanket amnesty. Just blanket amnesty. We will say if someone comes forward to report an incident of sexual assault, that we will give blanket amnesty to that person throughout the process. And even if it turns out to be insufficient evidence to forward either judicially or administratively, still blanket amnesty. We will make an exception for the alleged assailant clearly. We will make an exception for any cadet who interferes with the investigation or did nothing to stop an assault.

And then, as part of changing this culture, we will also hold the senior cadet present responsible. Because we want cadets who are senior to others to understand they have a responsibility for those who are junior to them. And not just be an independent party at one of these. So a number of things we have done, we have tried to get back to the sense that cadets have responsibilities for each other. We saw them not reporting each other but not having respect for each other.

So the single thing that started this was that we then observed that there are difficulties with the athletics department. There are incidents that we are trying to dig into at this time where there may be a double standard. We found that intercollegiate athletes just did not participate with the rest of the squadrons, that they were in training all year long. They ate at separate tables, they did very little with the squadrons. There was almost two groups of cadets and that in fact someone in that department even if they fell off a team could mask that for almost a year and stay at the training tables. And that it was not part of the mainline academy, that there was a breakdown in the chain of command and the chain of responsibility.

We found that in the academic departments, at least one academic department, we had an issue with an offsite skit that we found to be utterly offensive, and would be offensive to any adult let alone any woman. And flyers placed at the places of the individuals who went to the skit. Yet the chairman of the department was there. And he did not seem to feel that this was a bad thing.

And we worried about that. We worried is there another separate life of academics separate from the goal of the institution which is to train and educate officers for our Air Force? Not to be a highly competitive debating society in university circumstances?

We found that there was a sense among the cadets that maybe they are above the rules. That prohibition from drinking in the dorm, well we do not really have to worry about that. Or providing alcohol to minors. Almost all of these situations, almost all, involve alcohol. And yet older cadets were buying and providing alcohol to younger cadets. And our sense was that has to end, and so we will disenroll anyone who does that.

The other changes having to do with access to pilot is to make the point that it is performance. We want the best. And we want to have a culture there that says it is the performance of the individual, not their gender, not their race, not their alma mater but the performance of the individual. That covers a whole lot of terri-

tory and we realize we are not fixing the problem now. We are making a beginning.

General JUMPER. Sir if I might just follow up. Another disturbing anecdote that we found was within the honor code, and the secretary and I have been working on this for some time now. There was a growing and emerging belief over recent years that a lie is not a lie unless you intended it to be a lie. So in their construction and transmission of a falsehood it was not considered an honor violation unless the intent was there.

And these attempts to navigate around the spirit of the code into daily life by trying to interpret—the code by syllable was becoming more and more prevalent in our approaches to honor violations. I totally disagree with this, and I think it also leads to again that erosion of character where we look for the loopholes rather than abide by the spirit.

Also Mr. Chairman, in dormitory life, we found that over the years we had gone to much less vigilance within the dormitories. As a matter of fact, we started leaning on cadets to perform dormitory monitor jobs. These very cadets who carry a very heavy academic load and the Air Officers Commanding of each of these squadrons taking less and less of a role in their comprehensive patrolling of the dormitories and being involved in the daily lives of the cadets in that squadron, as is there charter.

Again, we are going to return to some basics here because sir there is nothing I am describing to you that has not been done before at the Air Force Academy and we are going to return to these standards.

Mr. MCHUGH. Thank you gentleman. I want to make one I hope brief comment and ask a final question and then I will yield to my colleagues. Obviously this document is a work in progress as I heard both of you say. It is both outside the room and in it. And I do not know as any of us can subject it to an expectation of being perfect. Because perfect is a judgment that we will all reach independently, clearly.

I will tell you I do have some concerns about what I do not see in it, as Ms. Wilson and others have suggested. I am struck—we have a lack of assurance in confidentiality for the victim that is stated in this. You may intend it, I hope you do, but I think from what little I pretend to know about the very emotional instances that we are dealing with here, confidentiality of the victim in some sense is absolutely essential.

I am also concerned that I do not get an impression that there is any reliance or interoperability with the local civilian, both legal authorities and perhaps more importantly those independent organizations that deal with these issues particularly as advocates of women's victims that I think have a wealth of knowledge and at least in the short term probably enjoy a greater level of confidence amongst those who either have been abused or who might potentially be abused. But those can be addressed hopefully, and I think they very much need to be.

The question I would have is, Mr. Secretary, as I said in my opening statement during the March 27 full committee hearing, I commented about the culpability potentially of the command staff here. Culture is an important part, but somewhere at some level

someone failed. We are dealing with now what I understand is a field of about 56 cases that were inappropriately handled. I am not about to condemn any specific officer at this point. I am not in a position to judge. I have suspicions but that is not what we judge careers on, suspicions.

But as you heard in the Senate yesterday, clearly culture is important but it is difficult to establish reliability in any reform culture if our demonstrated lack of holding someone accountable argues differently. And Mr. Secretary, I was pleased to hear your comments today about the investigation as to the specific actions or lack thereof of certain officers and I think that is absolutely essential here. And I am not looking to ruin any person's career inappropriately or without cause.

I am an eight year member, proud member, of the Board of Visitors at West Point. I cannot sit here and tell you that the superintendent of the Air Force Academy knew about a single instance of these. Or the commandant. But somebody must have. Somebody failed.

And if that is the case, I think an examination of the specifics of these at least 56 cases against the actions and lack of actions against specific officers is absolutely essential both to the sense of justice and equally important for the sense of assuring the parents and the young, extraordinarily bright women that we welcome to these military academies and in this case of course the Air Force Academy will not be subjected to this. So I certainly want to look forward to the developments in that case.

But the one question just for my own edification because I was not able to follow all the hearing yesterday. Your comments about this investigation, Mr. Secretary, were not, and this is not a criticism, it is really just a question, were not part of your testimony yesterday, is that true? This is a new development that you stated—

Secretary ROCHE. Yes sir. In fact the position I have taken, or that we had taken to this date is if you look at the climate of the Academy it is very hard to understand where to place the blame. The 56 cases are over a ten year period. What struck us so much as being the officers who were already commissioned telling us which places in many years, a good six or more years in the past.

Where do you start, how do you just take the current leadership and hold them accountable for the past was the difficulty if it is just a climate issue. It is very clear in talking to the members of the Senate Armed Services Committee that they still yearn for a deeper look and we took their point. And said if that is the case then the way to distinguish over this period of at least ten years and you can in fact go back further.

I mean what the horrifying data points to Mr. Chairman, is that from 1976 to 1992 there are no—no reports of sexual assault. Yet we have both talked to officers who were there in that period of time who were assaulted. So you can even go back further. But of the ten year period that is a matter to have a sense to both be able to come back formally with investigative material is to say were any either current commandants, superintendent, their predecessors, maybe their predecessor's predecessors, were they made

more aware of things such that they should have done more than they did, point A.

And point B, did they by either advertently or inadvertently put additional barriers or create new barriers in the way of cadets who wanted to come forward by the way things were done with respect to amnesty, or is this legal ruling that they cannot tell a cadet what is involved and to get it dispassionately looked at so that it could be reviewed?

If I may touch on two other points you raised sir. With regard to outside people, the new rules—for the vice commandant that we are prescribing require that the vice commandant in fact maintain those relationships and deals with those outsiders.

Just as we are trying to accumulate now a list of area experts, for instance we want to find the best mentoring advocates in the United States, who have done things with companies, etc. There are people who deal with domestic violence and a lot of that involves sexual assault, as part of the Justice Department we are accumulating that so that we can provide to the new leadership of the Academy, resources.

The confidentiality issue is one that is very interesting. We can provide privacy and here the definition of terms becomes important. Confidentially says if you tell me something I cannot use it at all.

Privacy, which we do provide under the Inspector Generals Act, says that if you tell me something we will protect you, your identity, et cetera unless there is a crime committed and we have to prosecute a crime. So in other words, for official uses we can make use of information.

We have found that one of our problems is by allowing the cadets to go into a system that was outside the chain of command, confidentiality is provided but then there was no actionable item to be able to go after the assailant, because if the individual chose not to tell the name of the assailant, we could not go after him.

When we benchmark this against the Naval Academy, they made everything, however the cadet reported it, comes into the chain of command and is taken care of, just as we did any of our Air Force bases. So we offer privacy so that if there is a crime, we can prosecute the crime as compared to confidentiality which says we will use nothing that you have told us.

Mr. McHUGH. Well that is why I dropped out of law school after ten days I suppose. But we have to work this out, and I do not in any way minimize the challenge but it is a serious issue and whether it is privacy to meet the legal semantics or confidentiality, the overriding concern is trust in the system.

And obviously currently that is certainly lacking if not totally absent. But I thank you for your candid response and for your response to, your appearance yesterday before the Senate.

With that I yield to the acting ranking member Ms. Sanchez.

Ms. SANCHEZ. Thank you Mr. Chairman. I have three areas of information gathering that I would like to talk with you gentlemen about. The first one, what is causing this or how is this happening in the institution? The second one is the whole issue of process, what do we have to change so that we can get the results that we want?

But I am really troubled by the first because the first is, I heard some comments out of Mr. Secretary in particular where you talked about academy students having loyalty to fellow students versus loyalty to the institution. That is a very troubling issue because this about a criminal behavior.

And so that is a, how you change that is significantly more difficult than what process you use to catch these people who are assaulting. I mean it really speaks loads about the value of our institution if our own students do not value it above their buddy. It is a major, major problem if you really take a look at it that way.

It is also troubling because it sort of goes along with this whole issue of female officers having come up to you years later and saying let me tell you my story. Because again, it is embedded in this, this has been going on for a long time.

And if they are there, and we can maybe assume, let's assume that if we look at the way things are treated now where it almost seems like the victim is the one that gets purged to a certain extent and the person doing the sexual assault is allowed to remain within this institution and keep moving forward, then I have got to look around at some of my officers and think which one of these is left over from 15 years ago of doing this kind of business.

So it really begins to discredit the institution and the people who are so embedded in our Air Force, our commanding officers possibly. So I guess my question is, how do you intend to change that whole issue of I am going to protect my buddy who is a criminal because that is what rape is, versus having such a love for the institution and doing the right thing. That is the first question—

Secretary ROCHE. Thank you ma'am I could not agree with you more. By the way when we say institution we mean United States Air Force not just United States Air Force Academy. The whole Air Force.

Ms. SANCHEZ. And I say that also.

Secretary ROCHE. And one of the things that has struck us and I will ask General Jumper to touch on this is that our Air Force bases, our activity duty Air Force is far better than this. I mean I had a retired general officer tell me yesterday that he was struck by how many of our women officers who went to the Air Force Academy talked about how much more congenial gender relations were in the Air Force than in the Air Force Academy.

And it bothers us. So we are trying to back down the breed of our Air Force and overlay it on the Air Force Academy, which is why we are going at them to tell them they are not exempt from the rules, they are not above the rules. They are expected to be future officers and they are going to have to compete against a lot of very sharp people and they are going to have to perform and they are going to have to—and respect each other.

When you get into the active Air Force, if you are on a mobility aircraft independent of gender, the members of that team, that team goes into combat, every member wants every other member to perform superbly. And they do not want anyone in combat worrying about anything other than the mission. There is a natural sense of mutual respect because there is a mutual dependence.

We are in particular going to make this a major issue with the cadets. To keep pounding this on them and pounding it but we are

also trying to deal with the academic department, the athletic department, the whole institution to make it more like our Air Force than it has been in the past.

But it will take a great deal of time. And I do not believe that we fix it with any one set of directives, nor does General Jumper. We realize this is something our Air Force has to deal with with regard to the Academy. Now we think we can. It is a matter of making it more like our Air Force.

General JUMPER. Ma'am, any command structure at any base at any Air Force has a commander and a first sergeant, and any victim that goes into the chain of command is immediately surrounded by those who advocate for the victim. And at the same time, the misconduct is put into the chain of command to be formally addressed.

Over time, starting back in 1993, there were groups put together that allowed cadets to go to informal groups that put their complaint into this informal system that never got into the chain of command. And therefore, were potentially were never properly addressed. What we have to do is make sure that the protections and the victim advocacy at the Air Force Academy reflects the same system that we have out there in the Air Force day in and day out.

Also with regard to loyalty, you take a bomber crew or a crew on an airlift aircraft or a crew on any aircraft, that crew has bonding, it has pride, it goes into combat, they depend on each other for their very survival and their very lives.

If any one of them perform in a substandard way, the first ones that are going to identify that and fix that and root that out are the other members of the crew, before any outsider comes in to make a judgment on that. Why? Because their very lives depend on that. It is the—relationship, it is the brother-sister relationship, it is a relationship that should be the way that guides our attitudes at the Air Force Academy.

This has happened. This positive attitude has been prevalent at the Air Force Academy over most of its life. And so what we will do is make sure that our Air Force leaders take advantage of the opportunity to visit the Academy often, to speak to this, to put it in realistic terms, to make sure that the alumni return and again speak of the importance of this in their careers and we can draw on a very, very, very distinguished group of graduates from the Air Force Academy that include astronauts, professional athletes, leaders in our Air Force to include former chiefs of staff, et cetera that can continue to talk these values to our cadets and put them in real terms and make the sort of contact in ways that we probably have not done enough of in the past ma'am.

Ms. SANCHEZ. Well again I would reiterate that I see a big difference here talking about when, after an event occurs and what you do in the process you use to handle is quite different than why do you allow these things to happen.

What is in the mix that is making our airmen, potential airmen, think it is more important to protect their buddy than to report them for the protection of the institution and the body that they ultimately have decided they want to make a career with.

And I think that is a much more difficult thing to address but it is something that we need to address because we do not want

to have to address this in the process after an assault has taken place. We want to handle it before it ever gets to that point.

Secretary ROCHE. Completely agree with you ma'am.

Ms. SANCHEZ. Again I think that is difficult. And I would just ask, I spoke in my opening statement about these GAO reports that talked to the issue of sexual harassment, which is the beginning stages of what if left unaddressed ends up with sexual assault. Because it tells people that it is an acceptable thing to be happening.

Do you know about these—I talked about no routine systematic evaluations of sexual harassment programs and how they were working. Can you give me an update of what is going on with them and whether you have implemented that or whether that is not in place and how that is working, or are you not prepared to talk about that—

Secretary ROCHE. My sense Ms. Sanchez is that the GAO report was done in 1994, 1995—

Ms. SANCHEZ. Yes, it was done 1994 and then

Secretary ROCHE. Regrettably it was long forgotten. There have been attempts to do surveys at the Academy but that is not the same thing. We also were struck once we got into this with the sense of you have to come from the outside to audit this institution. And the reason we just picked every third year was to ensure that it was not hitting a point when you had four years of the cadets who may never see a review.

I do not know of any major evaluations of this. It is something we wish to implement. It is an issue that we will be taking up with the Board of Visitors because it should be done. We agree, it should be done. But I have not seen any.

General JUMPER. Ma'am, there have been climate surveys. The climate surveys are of questionable results with in many cases low return and in some cases done under duress telling the cadets they cannot leave for vacation until they fill out the form and that got just the response that you would expect with people going through and just putting all B's down or asking, answering female questions when the male was filling out the form, that sort of thing.

But I agree with the secretary. I do not know of any formal response to this GAO—

Secretary ROCHE. And in fact the issue you raise about sexual harassment is something that we are very bothered by. Because it appears that that is kind of faded and the issue is assault. Yet the institution allows for situations where formation, very obscene jokes can be told.

It allows for situations like this offsite with cadets and their faculty putting on a skit that is absolutely offensive and would be offensive. There are basic things that in companies you just would never get there. It would never happen, that are not present there that have to become present there.

We think having a better distribution of the Air Officers Commanding, the commissioned officers who are in charge of the squadrons typically at the captain or major level and more senior non commissioned officers who are themselves have a gender distribution more like our Air Force that we have to put enough people in

place so as to start with just basic behaviors that have to do with off colored comments towards women, and start there.

And again, respect performance, independent of gender and independent of race or alma mater. Get back to the performance of the individual. Because that is what counts when you go into combat. That is the only thing that counts.

Ms. SANCHEZ. Thank you Mr. Secretary. In light of the fact that I have gone over my time Mr. Chairman I have other questions but I will submit them for the record. Thank you.

Mr. McHUGH. I thank the gentlelady. I yield to the gentleman from Oklahoma, the vice Chairman, Mr. Cole.

Mr. COLE. Thank you very much Mr. Chairman. What an incredibly sad and disappointing day I am sure for you more than us even. Just a few questions gentlemen if I may. Do you have any reason, Mr. Secretary, to believe that any previous secretary or, General Jumper, any previous chief of staff was aware of the scope of these kinds of allegations.

Secretary ROCHE. I asked my predecessor who is a friend if he was and I asked him to come to my office and talk to me and he was not. Although there was a sense on both his part and in General Ryan's, General Jumpers counterpart, excuse me his predecessor, that there were just things at the Academy that were not right.

When we both took office as I said we both took office within three months of each other, General Ryan as he left asked us would we pay some special attention to the Academy because he did not know what it was but there were things that bothered him. And he in fact started the review of the honor code with—Peters, my predecessor. And that led us to start asking more and more questions.

We thought when we asked questions about this subject that we were told about all the things that were done in 1993. I went back to that superintendent and asked him to explain what had been done, and it sounded all reasonable. But in fact it did not have the first consequences it should have and had unintended second order consequences. But my sense was that you would have to go back to 1993 to find the secretary and the chief of staff who had become aware.

They sincerely believed that what they put in place worked, if only it did more of it. More of a hotline, more independent consulting, more leadership development and character development. All of which are good things, but were clearly not getting at the issue to the point where it emerged the way it did.

General JUMPER. There were clear indications, sir, along the way that steps were being taken to address these gender issues to include the beginning of an institute for character development in 1996, which is a direct response to the 1993 changes that the—General made when he was the superintendent. Also General Ryan, my predecessor, I have talked to him certainly about this.

The current Commandant of Cadets was actually placed out there to deal with an emerging, what was perceived to be, an emerging drug problem. And he put in some fairly disciplinary measures to deal with that. And indeed was able to deal with that. But I think we saw that when the secretary and I got this very

troubling e-mail in December I believe it was from a young woman, this was our first tip off that anything of this magnitude had taken place and it started us immediately into where we are today.

Mr. COLE. Would you expect that under normal circumstances this type of information should have reached either of you two gentlemen or your predecessors?

Secretary ROCHE. Boy we have talked about this sir. And we have an Air Force of 700,000. Our sense is that the instincts of General Ryan are quite right. Because this institution reports directly to the Chief of Staff of the Air Force, we have not hesitated to put the amount of time required. I have gone out and taught an ethics class, General Jumper has gone out and spoken with cadets. I have spoken to cadets, the faculty. We have tried to make the Air Force ownership of this institution quite clear.

In my case I found it interesting. It was as if I was from Mars when I first started to deal with them. I was from some world that they were not particularly interested in and even though we have got to their curriculum review, there was a sense of well that is a nice idea and maybe. It had to be no, not maybe, this place has to change. And I do not think any of our predecessors have ever spent the time or the attention to the Academy that we have, to be honest.

Mr. COLE. A couple more questions if I may. Obviously when something like this happens it is an indictment really of the leadership as much as it is of what goes on at the Academy, and you mentioned, Mr. Secretary, in your opening remarks that you were going back very diligently to find out what had happened really along the chain of command so to speak.

And I would just really urge you to do that. Because I think clearly as the Chairman mentioned in his remarks, there was some breakdown someplace beyond the Academy. Just in terms of people knowing what they needed to know and being in a position to take action. Have you gentlemen taken any actions to make sure that anyone who does come forward with information suffers no career repercussions, because clearly there is a fear of that.

Secretary ROCHE. Oh yes sir. A major part of what we are doing to fix this is to deal with an individual such that if she comes forward, the vice commandant will be acting in addition to their regular duties as the omnibudsman.

We are going to staff the vice commandants office with an attorney with an investigator not to do investigations, but for both of them to be able to assist the victim to make sure the victim understands what does it take to prove a crime. What are the steps they have to go forward. What are the alternatives.

And we want that same team to make sure the victim is kept informed as things go forward. It may be that there is insufficient evidence to take something to a trial, that happens quite often. In a number of cases, the current administration there sought whatever they could, if they could not get a trial to administratively deal with an individual to disenroll them.

They made use of a polygraph whenever there was a very complex situation they would ask the accused if he would be willing to be polygraphed. And a number of them were, and a number of them passed.

We are going to try and surround the victim with enough support and to include holding the cadet officers of the squadrons personally responsible for any shunning, or any ostracism of a victim. So that we make it clear that the victim is doing a service to our Air Force. Not just for justice for herself but if she can identify a criminal, then we want that criminal out. And we are trying to make that point.

General JUMPER. Sir if I might just add. The exception that the secretary has made clear to that would be false accusation. Where we would most certainly prosecute a false accusation. We have had instances of that too.

Mr. COLE. I would hope you would. One final question—

Mr. MCHUGH. I have to, I am sorry, gentleman. The gentleman's time has expired.

Mr. COLE. Thank you Mr. Chairman.

Mr. MCHUGH. I want to try to get the—I appreciate the gentleman's understanding. Just briefly for the members. Apparently for those of us who have sat here before we are used to seeing the yellow light come on when there is one minute left, that is not functioning. So just to help people understand where they are in their timeframe on the light system I will try to gently tap my gavel to let you know that one minute is remaining and because of the numbers here I am afraid we are going to have to strictly adhere to that because we do have votes coming up. So I appreciate everybody's understanding.

I would be happy to yield to the ranking member of the subcommittee the gentleman from Arkansas Dr. Snyder.

Dr. SNYDER. Thank you Mr. Chairman. General Jumper you made a couple of very strong statements earlier that this was not an Air Force wide problem and I think I agree with you. But I recall 20 years ago I was invited by a women I work with at a hospital to drop by and see her family some Saturday afternoon.

Went out to this lovely home in the country and met her husband, met these two lovely daughters and they had baby goats and they had baby ducks and they had baby rabbits and they were just a wonderful family.

Several months later, the father was on the run because the teenage daughters finally went to mom as they got older and said that they had been raped for years, he ran to Europe and finally killed himself when law enforcement came in.

So my question is, what I learned from that is, you cannot go by pictures. How do you make such a strong statement that this is not Air Force wide. Do you do surveys, surveys of women, how do you know there are not problems out there at some of your bases.

General JUMPER. Sir as I said there is an advocacy, a victim advocacy atmosphere out there that I think works very well. And we have a very strong inspector general system so that if satisfaction is not obtained from the chain of command, we have a very active inspector general system where a victim can go right to the Inspector General.

We have a chaplain process which takes in people and listens to them through the medical facilities. There are many entry points in the Air Force, but I do have confidence that the process we have in our chain of command does work.

And this does not mean there are zero instances sir as you well know. What it does mean is that from the evidence we do have now, and I never underestimate our capacity to be surprised here, but the processes we have now and from the data that we have now it seems to be that victims in the Air Force are generally satisfied to come into their chain of command and have these situations dealt with.

Dr. SNYDER. General Jumper a lot of the focus for good reason the last several months has been on sexual assault, but an atmosphere of disrespect contrary to what you all advocate having to do with mutual respect when you are talking about gender discrimination towards women, may not at all be sexual.

I mean to me, when it says bring me men, the corollary is bring me men because we do not want your women. There is no sexual content to that. I have talked to some older women doctors who have said men would come up behind them in medical school class 30 years ago and say why do not you go home you are taking the place of a man. Well that is not a sexual assault but it certainly is discrimination.

So you have got apparently 56 cases over ten years and if you double or triple that I do not know what you get to. But to me they are like roaches. For every case of sexual assault I would think that this climate atmosphere, six cases a year does not create a climate. There has to be something more out there in terms of incidents that do not even come close to rising to the level of illegality but clearly are contrary to this attitude of mutual respect.

My question is, in order to counteract that and your goal of mutual respect is a noble one, how do you measure progress with regard to creating atmosphere of mutual respect? One of your statements talks about measurable objectives. What are going to be the measurable objectives with regard to creating the atmosphere of mutual respect?

General JUMPER. Sir I think it is going to take some time to find out what is measurable and what is not. What we can do right away and with the class that is about to become the senior class is place upon them the burden of responsibility for making sure that this climate and this atmosphere is cleaned up.

And to put into the cadet living areas a greater presence by the officers and the NCO's who we have stationed at the Academy to be able to monitor the situations where this disrespect has been reported in the past. And this includes cadet formations where we have heard that, this is anecdotal of course, but we have heard that inappropriate jokes have been told, inappropriate remarks to females, etc. so that we can monitor more closely the minute to minute lives of the cadets.

There also has to be an atmosphere of trust, so if we are expecting these cadets to act like adults then there has got to be some responsibility that they take for themselves to police themselves. And this is where the cadet leadership becomes involved.

Because the cadet leadership is with these formations and with these cadets in their squadrons day in and day out virtually every minute of the day. It is this level of responsibility that has to field the burden. How we specifically go in and measure those I think

is going to have to evolve over time, but we got to do the first step first sir.

Dr. SNYDER. A quick question about loyalty, we have heard references to loyalty to the institution versus loyalty to the cadets. But this is a situation, this is not Members of Congress rallying around for each other versus some bad press corps., this is cadets choosing one group of cadets over the other. So is it loyalty to the institution, loyalty to cadets or loyalty to the male cadets?

Secretary ROCHE. Quite often it can be loyalty to a sub group as you point out. What it is not is loyalty to the values of the institution. Yet in our active force, if a pilot in a squadron of other pilots sees something that is not right that could effect how the team will act in combat, there is no hesitation to come forward.

General JUMPER. Certainly loyalty to criminals that we know are criminals is not acceptable as Ms. Wilson pointed out.

Mr. McHUGH. I thank the gentlemen. Now the gentlelady from California Ms. Tauscher.

Ms. TAUSCHER. Thank you Mr. Chairman. Mr. Secretary, General. I am impressed by your connection and your articulation of the issue about values. What concerns me is that, or what I actually think is pretty clear, is that there is a sense of rewarding for a certain kind of elitism. And I think, I believe what you are saying, I think that you believe that the Air Force in and of itself is populated by good people who have strong values.

But we have unfortunately an Academy of elitists who believe that they have a separate set of rules. Now perhaps that is not just the bad news, perhaps it is a fact. Perhaps because they understand that is how the game is played.

I can remember the first couple of months at college when you come with a sense of the way things are supposed to be then you realize how things are. And I think what we have here is departure from what we want versus the way things are. And I think perhaps what you have in an elitist organizations, we have them everywhere, is people figuring out how to get ahead. And how to get ahead and those that get ahead are basically leaders that are followed by others. And even in elite groups you have packs of people that become leaders and followers.

And I think that this is a pox on our house if we do not understand how to bring it back to these values, move it away from personalities and or sexual gender, which would be male by the way. And move it to the values where there is no discrimination of gender.

And make this very clearly and very apparent that this is the road to success and that there will be zero tolerance for all of the manifestations of that whether it is dirty jokes or kind of laughing and going along getting along, whether it is following the big dog or this is how the game is played.

I think we have to have a very clear articulation that there is a new game. And that the game is a game of values. And that the measurement of the values will be in the performance of the people and you will actually choose your path by the people you follow, not the big dog necessarily but the dog that is actually doing what is right.

Now speaking of new dogs, the leadership that you have chosen, the new leadership for the Academy, I have read their pedigrees obviously very well picked people, good officers. But how did you pick them. And what was the criteria to pick them and if I were them, I would be going for counseling right now. I would be trying to figure out what I did wrong to get the job.

But perhaps we need to get them actually immersed in some new skill sets and some counseling. To be sure that buzzsaw that they are walking into is something that does everybody good and does not cause them to be so consumed about this issue that they actually cannot do the 17 other jobs they are supposed to do. So if you could just talk to me about those things.

Secretary ROCHE. Yes ma'am be glad to and thank you for your statements, I absolutely agree. But you know, what is interesting is when we see our enlisted groups which are about the same age, they go through a basic training and we do not have or at least we cannot see this problem and we worry about it. We worry about what happens when they deploy, et cetera. We see a relationship that is very supportive of performance independent of gender.

This does not mean that we do not have problems ma'am. We do. But the first sergeant is the senior enlisted have long ago bought into performance. Specifically to how we chose people. We interviewed a lot. And with regards to the new superintendent we wanted someone who was clearly a figure that the cadets would look to and admire, who absolutely agreed with us.

There were a number of candidates that were all very strong. We told them every wart, we told them how unhappy we were, we told them their career was going to be on the line, and we asked if they and their spouse would volunteer. And they did, and we picked a good, tough guy.

With respect to the commandant, same thing, interviewed, made sure that they recognized what their spouse would have to go through, chose an officer who had gone to the Academy. When we asked for a superintendent we were open and again found an officer who felt that this situation was tarnishing his reputation as well as all the other graduates and he is willing to take on this task.

In terms of the vice commandant, we approached a couple of women, one in particular and we asked her if she could really put up with this. She was one of the focus group, we had a focus group go over each of our recommendations in what we call room style. There are some they changed, some they told us we were crazy and they are gone, and the ones that are there are ones that they approved.

These were women officers from captain to general and this woman accepted the responsibility it, surprised me. The fourth woman is in Europe and I did not have a chance to interview, but General Jumper knows her well and she is a cop, she knows how to deal with people and I cannot believe she is going to hear anything that she is not heard before ma'am.

General JUMPER. Also ma'am, the top two officers have worked for me personally and command responsibilities of large organizations. I have seen them in action and they have my confidence and

they understand what I mean about honesty and integrity and values.

Mr. MCHUGH. Time for the gentlelady has expired. Next, I yield to a member of the subcommittee, gentleman from Georgia Dr. Gingrey.

Dr. GINGREY. Thank you Mr. Chairman. Secretary Roche, General Jumper. I am shocked really to hear this report and of course not only are you giving us mea culpa's you are giving us mea maxima culpa's I guess really before the final report is done, so you must be seeing some things preliminarily that would allow you to do that, and it would suggest that things are rotten to the core, no pun intended. And it, I am totally shocked.

But I did want to ask you a couple of questions about the percentages, 56 cases over the last ten years. I would like for you to maybe just aggregate that for us as we come forward to the present time in respect to numbers. And also in regard, there was some mention about the athletic program at the Academy. What percentage of these cases possibly involve student athletes and then finally how many of these cases actually led to prosecution and conviction.

Secretary ROCHE. Yes sir if I could get the details to the subcommittee for the record so I do not say something that is mistaken. The 56 cases of sexual assault—that ranges the whole range, from accusations of rape, two accusations of unwanted touching, so it is the whole gamut over the period. Probably the greatest concentration is in 1993 and 1994 and it somewhat bounces around over the years.

But again as Dr. Snyder pointed out, those are the cases that have been reported. Separately through the counseling service, there are 100 and some telephone calls but their records were simply not kept. And we do not know where there is duplication, we do not know to what degree that some of these are incidents associated with a cadet who goes home and has a difficulty at home we do not know.

We know of the 56 there were a number of assaults on civilians. We know in three of the 56 cases the individual cadets recanted, said it did not happen, for whatever reason they had come forward and then they withdraw and say it really did not happen.

We know that in one case something occurs off the campus in another city and the police are involved. The local district attorney chooses not to prosecute the Academy, the current administration believes that the Uniform Code of Military Justice severely was violated, prosecutes, puts the cadet into jail.

It appears that whenever they could accumulate evidence to go to a trial they did. In the cases where they did not, if it appears from the information that came forward that the accused did enough other things that administratively we did not want him in our Air Force, they disenrolled him. It appears in other cases when there was just no evidence to go forward that they could not do anything but you tend to see them trying to go forward whenever they could.

With regard to the numbers who are intercollegiate athletes, we have not accumulated those data that I am aware of, although General Counsel may have done it because it was raised once before. So far that we know it is only a few. One of the problems we

are seeing is with some recent reports that things may get taken care of in and among the athletes by themselves in yet a separate life. And we want that brought into the Academy. But there is a very good thing amongst some of the athletes. They are on a team, there is a lot of protection of the men for their sisters because it is like combat, they want to win, and they do not want their team members to be thinking about anything other than winning. So there is some good that also occurs in intercollegiate athletics.

General JUMPER. If I could add sir again with the athletics, there were indications and this is part of a larger cultural look, there were indications that athletes on probation, the probationary information was not shared between the athletic department and the commandant's department and the military department. There are sort of traditions that have risen up that say that intercollegiate athletes train all year around.

Again I think that it is important that the athletes participate in the professional military training to at least some extent as part of their training at the Academy. In many cases this was not being done. One of the proposals is that we put the athletic director under the commandant of cadets so that the purpose of the academy is clearly evident to all.

Mr. MCHUGH. Time of the gentleman has expired. Next according to committee rules by being in the room prior to the gavel, the gentlelady from New Mexico, Ms. Wilson.

Ms. WILSON. Thank you Mr. Chairman. Mr. Secretary there was a recent review by the Department of Veterans Affairs (VA) looking at rape and sexual assault over the last four decades among members of the military. One of the things they found was that half of the women in the service who had served at that time did not know how to report or where to get treatment. In your review of the circumstances at the Academy did you find anything similar?

Secretary ROCHE. No ma'am. The interesting thing is that the awareness of cadets in how to contact the Cadets Advocating Sexual Integrity and Education (CASIE) system especially was quite high. Now a number of them did not want to do that, one of the things that we have to do is to educate all of the cadets and we will do it annually and in fact do what is done in many corporations as you know require cadets to certify that they have received these instructions on what is expected of them, how to deal with something if something arises to ensure that every cadet has that information cannot say I am sorry I did not know about that. We want to make sure of that.

But currently you see the cadets and especially some of the CASIE volunteers doing some very good things, posting posters around. One that I remember that struck me as quite poignant was "Date Rape is Not A Date." If you have a problem, please call the following number.

I mean they have tried to make sure the cadets had some place to turn. We want to make sure that the cadets have confidence in the chain of command and if they enter the someone at the medical clinic or chaplain or Air Operations Center (AOC) or senior enlisted or any other way that we can as quickly as possible get to that cadet and start to develop the evidence.

Ms. WILSON. I wanted to get at something that my colleague Dr. Snyder mentioned and I think you talked quite a bit about this issue of loyalty to classmates versus loyalty to values. And I think my colleague is actually right. That is not the conflict. It is not a dilemma between loyalty to classmates and loyalty to values and frankly I think you would both agree that we want cadets and officers to be loyal to their classmates, to cover their wing man to make sure that everybody makes it. All of those things you want to instill in them.

Secretary ROCHE. Yes.

Ms. WILSON. But the problem is loyalty to some classmates and not to others.

Secretary ROCHE. We absolutely agree ma'am. And it gets back to the whole question, not a climate that promotes reporting a criminal act but a climate in which those criminal acts do not occur in the first place. Or that they are less likely to occur because the little things, the niggling little remarks, the attitude and environment is not tolerated by the cadets themselves.

General JUMPER. Exactly.

Secretary ROCHE. Yes, ma'am.

Ms. WILSON. And that is much more difficult to get at and I do not think you have adequately done it yet. And I understand this is a work in progress, it is the first white sheets on the wall with the first look at them, but with respect to climate, there is a lot in here about procedures and there is less in here about how you get to a culture in which a, when there is a disparaging remark about a 4th class woman, a first class cadet says we do not do that here.

That creates an environment where assault is less likely to happen. And I would encourage you to take the next step and to take this in a further revision with some outside help to get to where we need to be.

I do have one final set of questions, one final question, and I do have a few minutes and that has to do with some of the bells and whistles. Or what I call bells and whistles, things that are not related, I do not, I do not understand maybe you can help me, how graduate school, cross commissioning, pilot training spots or date of rank has anything in God's green earth to do with sexual assault at the Air Force Academy.

Secretary ROCHE. I do not know if I can convince you, I believed and General Jumper and our focus group believe that a number of these have to do with a larger culture. With respect to, let me just take one as an example ma'am. The—list. It turns out that the cadet of the year for the last two years has been an ROTC cadet—a woman—in both years. Yet by the way we have done—list she will have a lower seniority than the poorest performer at the Air Force Academy. And we thought that was wrong. To make—

Ms. WILSON. Let me be more specific. I am reading here, how every, under this guidance as I read this, cadets at the Air Force Academy will no longer be able to apply for Rhodes scholarships—

Secretary ROCHE. No, ma'am that is not correct at all—

Ms. WILSON [continuing]. Law school, medical school, liberal arts, graduate schools, or functional career fields will no longer be a first assignment.

Secretary ROCHE. Rhodes scholars specifically came up and we would actually want to have cadets compete for Rhodes scholars, et cetera. This is more a matter of trying to adhere, it was for a cadet who enters. So that from day one we try to orient our cadets towards the operational Air Force as much as we possibly can.

We have found too, in our sense, too many of them who are looking to not become operational officers and yet given the investment that we put in them and the caliber of these officers we want them to think more on operational terms.

We had no intention of trying to deflect someone from going to a Rhodes Scholar program. We are more concerned about the cadet who graduates, goes to a university, gets a degree in English comes back and teaches English and is never really a part of the operational Air Force.

Ms. WILSON. My time has expired, thank you Mr. Chairman.

Mr. MCHUGH. I thank the gentlelady. Esteemed Chairman of the subcommittee on readiness, Mr. Hefley.

Mr. HEFLEY. Thank you very much Mr. Chairman. Secretary Roche, you have repeatedly said this kind of behavior is intolerable and I think every one of us feel it is absolutely intolerable and what we are trying to do is to get from here to there to make sure everybody understands it is intolerable and understand the seriousness of it and I think the education and the changes you are making I think they are good as far as they go.

But one thing bothers me that I do not see here. And we talked about it personally, but the Air Force Academy has a protocol with the local justice people in I know El Paso County in Colorado Springs that says if the crime is committed on the Air Force Academy, the Air Force Academy deals with it first.

And if you deal with it, you can call it in, but if you deal with it, fine. And that is kind of the way it has traditionally been done. But I, when I am thinking about how do you inject into these cadets the seriousness of this, that you are not violating a regulation, you are, they are committing a crime. You are committing a felony.

And I had the dubious honor of being Chairman of the Ethics Committee in the House of Representatives. That is the internal investigative and enforcement body for behavior for Members of Congress to correspond to your internal Air Force justice system.

And yet the Justice Department, if they think one of us had committed a crime, they could also file charges on it. And an example of this is the Traficant issue that occurred last year, where he was convicted of crimes, he was also charged within our system of justice internally and was expelled from Congress.

I would like for you to speak to the fact why cannot we have both functioning at the same time in your system as well? I know there is probably a reluctance to do that, but if I want them to know this is serious, I would like to have people who make a living every day investigating serious crimes, looking into this. I would like to see the flashing lights outside the dormitory. I would like to see the cadet who is charged based on enough evidence like you would do in a civilian situation, hauled away in handcuffs, put in jail, in-

dicted and brought to trial if they think they have enough evidence to do that, to come back not just have to go to a dormitory, another dormitory.

And I think the other cadets looking out their windows are going to say hey, this is a serious situation. So you may not have captured the hearts of the cadets who want to act like boys will be boys, you may not have captured all their hearts but by gosh you are going to capture their mind if they see that you are not going to tolerate this at all. I think as long as it is strictly an internal process there will always be accusations that something is covered up or swept under the rug. Would you speak to that?

Secretary ROCHE. Yes sir, Congressman Hefley you and I have chatted about this before and I have committed to you that we will follow up on this. As the general counsel is sitting behind me and by the way may I introduce Mr. Chairman the Honorable Mary Walker our General Counsel of the Air Force Academy Air Force.

We are working, we have both the judge advocate general and Ms. Walker looking at what the protocol is. Again I would benchmark with the Naval Academy, they very much make use of Anne Arundel County in one of the most recent cases that they have had since I am a resident of the town I know it well, was all handled by the Anne Arundel County and it has a salutary effect. It really does. And my sense is that you have a very good idea that we wish to follow up on.

There may be issues of the federal reservation and coming onto the reservation, we will look at those. We will look at what makes sense for the local jurisdiction in that we do not want to impose on them, but if in fact something especially occurring off campus can be dealt with first there, my sense is that would be very, very good. And so we are going to look at it and we will particularly come back to you with where we are and how we stand on that.

Mr. HEFLEY. Well I appreciate this because I think that they need to know that they are not just violating a regulation, I think they need to know that they are violating the laws of Colorado and that Colorado is going to be involved in enforcing their laws on the Air Force Academy as well as anywhere else. And if there is need for legislative recourse I wish you would tell us after you have looked into this. If right now, you cannot let them come onto the Academy to investigate, I do not think that is the case, but if that is the case, than there needs to be a change in the law where that is concerned if you would share that with us we would like to work with you on that.

Secretary ROCHE. Yes sir we will.

Mr. HEFLEY. Thank you very much.

Mr. MCHUGH. I thank the gentleman. Gentlelady from California, member of the full committee, Ms. Davis.

Ms. DAVIS OF CALIFORNIA. Thank you Mr. Chairman. And perhaps in some ways you just addressed my question but from what you have seen, I was interested in knowing the uniqueness of the Air Force Academy perhaps but should we be looking at other academies as well. And what is it that is so different that these numbers have not shown themselves in those academies as well.

Secretary ROCHE. Yes Ma'am I do not know the numbers of the other two academies for a ten year period, they have differed. We

have looked at the others. I particularly benchmarked against the Naval Academy, General Jumper has benchmarked against the Virginia Military Institute (VMI).

We have brought together all the service secretaries, all the chiefs of staffs of the services, all the superintendents of the academies, we have shared our preliminary information with them, we have shared all our warts with them, we have shared all the measures that we are going to take because in some cases it will differ from what they do.

For instance at the Naval Academy as we understand it, they will both deal with the crime and award demerits if the individuals were in circumstances they should not be in. We have found in the Air Force Academy that that apparently is a deterrent to coming forward. So we wanted to make sure they knew we were going to do this.

At one of the academies, if someone provides alcohol to underage cadet or midshipmen it is an infraction. The second time they are disenrolled. We have changed that at the Air Force Academy, first time you are disenrolled.

So in terms of the data why this is emerging now, the other academies have had problems in the past, they have addressed them, it is one of the reasons we wanted to benchmark with them, get them involved and show them what we have done and to take as many best practices as we can from them. So for instance the best practice on the linear list comes from the Navy and the Marine Corps.

Others like—holding the senior cadet present at a function where something goes bad, holding that cadet accountable turns out coincidentally to be exactly what the Naval Academy does. We did it and then found at this meeting with the superintendents that they have found that the same rule applies, because that is something that carries forward to them once they enter into especially the shipboard Navy.

So I do not know if we are different in the university, we are only comparable to the other academies and they all are the first to—but for the grace of God. But we are trying to learn from them, have them learn from us so that this is not a problem that permeates across our services. John?

General JUMPER. Sir I cannot add anything to that ma'am.

Ms. DAVIS OF CALIFORNIA. Is it 56?

Secretary ROCHE. Yes Ma'am.

Ms. DAVIS OF CALIFORNIA. hot cases have any of those individuals been disenrolled?

Secretary ROCHE. Oh yes ma'am, quite a number. Some have gone to jail, we have had let's see, of the total of 56, two have gone to jail, a number have been disenrolled, we can give you a matrix that shows whenever we could go to trial and there was sufficient evidence to do so we did, it appears.

That is one of the reasons we are asking the Inspector General to look at these, but just by looking at the cases and reading them, all the summaries of them, and in most cases where there was insufficient evidence to go to trial, but there was sufficient evidence that the individual had violated regulations of the Academy the su-

perintendent recommended disenrollment and in almost all cases that happened.

Ms. DAVIS OF CALIFORNIA. And the ones who went to jail, is that because that was off campus—

Secretary ROCHE. No Ma'am. No Ma'am. In fact the one on campus and the one off campus both went to jail and they go to military jails.

Ms. DAVIS OF CALIFORNIA. Both in military jails. Okay. Has that had an effect at the Academy?

Secretary ROCHE. It has not had enough of an effect we do not think Ma'am. But I agree with the comments that have been made by a number of the members that this does not start at sexual assault, it starts much, much earlier and we have got to work that very, very hard so that the male cadets, and this is the point that we have both made, when we have gone out individually to the wing of cadets that this is a problem that the males first and foremost have to solve.

It is just like you cannot hold Jews responsible for anti-Semitism, you hold gentiles responsible. You cannot hold the women responsible for this, we believe that the male cadets have a major responsibility to fix the situation.

Ms. DAVIS OF CALIFORNIA. We handle a number of the nominations in our offices. Are there not questions that are asked in those early interviews that send a strong message to the applicants that this is not acceptable behavior?

Secretary ROCHE. Ma'am I do not know. It is a good thing to follow up on. We know we are changing so when they first arrive, what has happened is they have been told things when they first arrive but they are getting a fire hydrant.

What we want to do now is to separate them for a few weeks and intensively teach them. For instance we want young women to know that they can say the word no. In the normal—to senior cadet the word no is not supposed to be there, but by golly there are lots of times when they should say no.

Ms. DAVIS OF CALIFORNIA. My guess is that perhaps that has not really entered into that discussion or to the interviews and perhaps that is something that really could become part of it.

Secretary ROCHE. It is a good thought ma'am. Thank you.

Mr. MCHUGH. Time of the gentlelady has expired. Next gentlelady from Colorado Ms. DeGette.

Ms. DEGETTE. Thank you. I want to thank both you Mr. Secretary and also general for understanding the depth of the issue that you are dealing with here and the fact that this is not about sex, it is about a violent act against women and also that it is not just about sexual assault, it is about the whole atmosphere at the Academy. I think that is a really good first step and I am gratified to hear both of you saying that. And I really mean that.

I do have a few questions like my colleague Ms. Wilson does about the initial policy, I know you are trying to work on some policies and it is a work in progress, but I have some concerns and I expressed a little bit of that in my opening remarks.

It seems to me that part of the problem you have got at the Air Force Academy is you have got a few bad actors who believe there is really no place for women in the academies and who, and an at-

mosphere that, a blame the victim atmosphere that has arisen at the Academy so that the victims are afraid to come forward.

And some of the things in this policy I do not think are going to really help solve that. And let me give you a couple of examples and then perhaps you can comment briefly about that.

This whole issue of segregating the female cadets from the male cadets in the—dormitories with the door open policy and all of that, to me that implies that the whole reason we have this rape problem is because there are female cadets, and if you just segregate them away, that will not happen.

First of all, I think that sends the wrong message to that small core of evil doers and second I think it sends a bad message to the women that somehow they have to be segregated and further I do not think it is going to solve the problem because many of these rapes occur either in the middle of the night where someone's not watching or off campus. And I am wondering if you can comment on that.

Secretary ROCHE. Yes Ma'am. It is not segregating, and we may not have expressed ourselves well. The cadets will be together in squadrons—the organization, it is about 120 cadets. And the way the dormitories are laid out is that there are group washrooms. And on a given floor there are typically three men's rooms and one ladies room.

We are trying to have the squadrons lay out the rooms for the women cadets closer to the ladies rooms. Which by the way is standard Air Force instructions for any enlisted or officer mixed gender dormitories that have group bathrooms.

Ms. DEGETTE. Right and I do not necessarily, you know, if I were in the Academy I would like to be near the bathroom too but you do say separate arrangements will be established for female and male cadets upon entering the academy for basic cadet training and then you also do have the rooms put together, as if that might solve some problem.

Secretary ROCHE. —again a lot these are individual things which we hope when taken collectively do two things. One try to address the larger issue, and two communicate to the wing of cadets that we are so serious we will go down to specifics. The initial segregation—

Ms. DEGETTE. Excuse me, you do not actually think that segregating the women in basic training or putting them near the bathrooms is going to solve the problem of sexual assault in and of itself?

Secretary ROCHE. Oh, absolutely not, ma'am. And by the way these recommendations come from women officers who are themselves graduates of the Academy who point out that that is how the circumstances were when they were there and they think they should come back.

Ms. DEGETTE. Let me ask you—

Ms. WILSON. Would the gentlewoman yield?

Ms. DEGETTE. I would be happy to yield to my colleague.

Ms. WILSON. Mr. Secretary with respect to basic training it was only the class of 1980 that segregated women. And from then on they have been integrated in their squadrons. If you are going to

separate them during basic training I think you are going to let the women lose a lot.

Secretary ROCHE. Yes ma'am. May I address that. We do not wish to separate them for all of basic training ma'am. We are talking about the very, very early week or two, that is the only time and then we want to get them into their squadrons as soon as possible and then they move to the—the normal—by the time fall arrives. It is not for the entire summer ma'am.

Ms. DEGETTE. But reclaiming my time, that is exactly the point that I am making is that by segregating them even in the very early stages it implies that there is something about having women and men in the military that would cause sexual assault. And I mean I think you should revisit that and let me just ask one more question.

Are you changing the reporting system on the rape hotline so it is not going to be volunteer cadets anymore. I understand that that is a difference with the other service academies. And that is part of the problem with the whole chilling affect on the current female cadets at the Academy.

Secretary ROCHE. We are having the counseling center no longer report to a department of behavioral sciences but report to the vice commandant directly. We would like to have professional officer counselors there which is what the other academies do. The degree to which they can be assisted by cadet volunteers is one to be determined.

We have seen some believe it is very good, some believe it can be quite bad. Sometimes an individual counselor believing that he is doing the right thing—in one case for instance, protected a young female every weekend by having her come to his home in Colorado so she would not have any opportunity to be prayed upon by another male cadet.

When General Jumper and I come upon this story our sense was we want to know who that male cadet is and we want to prosecute, not protect this one woman from him because if we commission him, what is he going to do someplace else. So that is the downside, that is why we want things to be part of the chain of command ma'am.

Ms. DEGETTE. Thank you very much.

Mr. MCHUGH. Thank the gentle lady. I yield to the gentlelady from California, Ms. Sanchez for the purposes of the unanimous consent request.

Ms. SANCHEZ. Thank you Mr. Chairman, I would like unanimous consent to put forward for a question on the record for Congresswoman Betty McCollum one of our colleagues.

Mr. MCHUGH. Without objection, so ordered. To my colleagues we have according to our count—votes coming up in just a matter of minutes so I think in terms of fairness because we have gotten through everyone who was kind enough to attend here today we will call an end to the hearing.

I do want to note for the record the gentleman from New York, Mr. Fossella, was here for the entire hearing and knowing Vito as I do I know this is an area of deep concern for him although it is not amongst his committee assignments.

Gentlemen, thank you for being here. It would be pathetically redundant for me to say how much all of us are concerned and I feel confident you are as well. The mention that I made earlier about the need to work this document consistently as it goes along I think was evident both in the questions and as well to your responses.

All of us who had the honor of nominating America's young men and women who are the brightest of the bright need to be able to look those, particularly the young women, but young men too and their parents in the eye and feel confident that it is indeed an honor and that we are sending them to what the Air Force Academy has been and should still be, one of the finest institutions of higher education and certainly one of the finest breeders of distinguished officers for our United States Air Force and I feel confident you reflect that objective as well.

Just for your edification we certainly will be working with our counterparts in the Senate particularly the Chairman, Mr. Chambliss the former member of this body and a member of this subcommittee especially on the independent review. And that is not necessarily a reflection on either of your two gentlemen's intent but rather a reflection that I think of the need to do everything we possibly can to round out the circle that needs to be completed to restore that faith and trust that you gentlemen have responded here today.

So with our appreciation, our commitment to work with you on our shared objective of doing the right thing here for the Air Force, for this Nation, but most importantly for our female cadets, I will adjourn this hearing.

Secretary ROCHE. Thank you Mr. Chairman. Mr. Chairman we committed to Mr. Chambliss, Senator Chambliss that we would work with our Board of Visitors, come up with a recommendation on the independent review from the Board of Visitors and come back to him and we will come back to you with the same thing anyhow sir.

Mr. MCHUGH. Thank you Mr. Secretary, thank you Chief.

General JUMPER. Thank you.

[Whereupon, at 3:08 p.m., the subcommittee was adjourned.]

A P P E N D I X

APRIL 1, 2003



PREPARED STATEMENTS SUBMITTED FOR THE RECORD

APRIL 1, 2003



DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE ARMED SERVICES COMMITTEE

**UNITED STATES
HOUSE OF REPRESENTATIVES**

SUBJECT: UNITED STATES AIR FORCE ACADEMY SEXUAL ASSAULT REVIEW

**JOINT STATEMENT OF: THE HONORABLE JAMES G. ROCHE
SECRETARY OF THE AIR FORCE**

**GENERAL JOHN P. JUMPER
CHIEF OF STAFF
UNITED STATES AIR FORCE**

1 APRIL 2003

**NOT FOR PUBLICATION UNTIL RELEASED
BY THE ARMED SERVICES COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES**

Thank you Mr. Chairman, members of the Committee. We appear before you to report on our efforts to make the necessary reforms at the United States Air Force Academy as a result of complaints regarding incidents of sexual assault there and the institutional response to these complaints.

The United States Air Force Academy exists to educate, train, and inspire so that each graduate is a commissioned leader of character committed to our core values of integrity, service, and excellence. Above all else, the Air Force Academy is a military organization designed to serve the Air Force and our nation. In pursuit of its goal to produce leaders of character, the Academy must establish and nurture policies that emphasize the character expected from commissioned Air Force officers. To remain relevant to the larger Air Force, the Academy will not be managed as a separate entity; rather, it must reflect the values and norms of the broader Air Force while maintaining the high academic standards of a world-class university.

We've been engaged in a comprehensive review of the investigative procedures, disciplinary processes, and overall climate at the United States Air Force Academy. Our focus throughout this process has been on fulfilling our goals of educating, training, and inspiring Air Force leaders of the highest character and integrity, ensuring the safety and security of every cadet, and enhancing the trust and confidence of the American people in the Academy. As a result of this review, we issued the Superintendent of the Air Force Academy the enclosed policy directive that comprises the initial collective judgment of the leadership of the United States Air Force on how to fulfill these objectives. Enclosed is a copy of that directive. Our objective is to ensure these measures are substantially in place prior to the arrival of the incoming Class of 2007. We look forward to discussing our *Agenda for Change* with the committee.



THE SECRETARY OF THE AIR FORCE
CHIEF OF STAFF, UNITED STATES AIR FORCE
WASHINGTON DC



MAR 26 2007

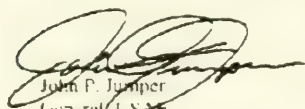
MEMORANDUM FOR SUPERINTENDENT, UNITED STATES AIR FORCE ACADEMY

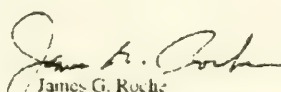
SUBJECT: United States Air Force Academy - Agenda for Change

The United States Air Force Academy (USAFA) exists to educate, train, and inspire our future leaders. In concert with a review of investigative procedures, disciplinary processes, and the overall climate at USAFA, we have compiled the attached directives designed to ensure the safety and security of every cadet and to enhance the trust and confidence of the American people in the Academy.

2. The introduction of this directive document reinforces those characteristics we expect to underscore the mission and values of the United States Air Force Academy. Character, leadership, integrity, and honor are the values we must instill in every cadet and future officer of the United States Air Force. These principles have guided our development of the attached directives. Specific measures are outlined under four principal headings: Leadership, Cadet Life, Officer/NCO Selection, and Broader Academy Climate. We expect these changes to be implemented immediately and to be substantially in place by the arrival date of the incoming cadet class of 2007. An implementation team will assist your efforts to fully implement the enclosed policies and procedures.

3. These measures comprise the initial collective judgment of the leadership of the United States Air Force, and further initiatives may be considered as appropriate. We look forward to working with all the stakeholders of the United States Air Force Academy to rebuild the climate and culture at the institution and to strengthen its ability to develop outstanding scholars and warriors to serve as officers in the United States Air Force.


John P. Jumper
General, USAF
Chief of Staff


James G. Roche
Secretary of the Air Force

Attachment:
As stated

DISTRIBUTION C

United States Air Force Academy: Agenda for Change

Introduction

Mission and Values

The United States Air Force Academy exists to educate, train, and inspire so that each graduate is a commissioned leader of character committed to our core values of integrity, service, and excellence; professional growth throughout a career as an officer in the US Air Force, and; a lifetime of selfless service to the nation. Above all else, the Air Force Academy is a military organization designed to serve the Air Force and our nation. In pursuit of its goal to produce leaders of character, the Academy must establish and nurture policies that emphasize the character expected from commissioned Air Force officers.

To remain relevant to the larger Air Force, the Air Force Academy must focus on the deliberate development of Air Force officers, providing the required mentoring, guidance, and discipline to produce future leaders. The Academy will not be managed as a separate entity; rather, it must reflect the values and norms of the broader Air Force while maintaining the high academic standards of a world-class university.

The Cadet Wing, Group, and Squadron

The cadet squadron is the core military organization of the Academy. It provides the structure for daily life. Cadet Group and Wing organizations function to facilitate the leadership training activities of the cadet squadron.

It is every cadet's duty to uphold the highest standard of integrity, service, and excellence as they progress from Basic Cadet to Firstclassmen within their squadron. Every cadet must aspire to lead, both at the Academy and as a commissioned officer. Their potential to assume the responsibility of command will be measured by how they hold themselves and their subordinates accountable to the Academy's standard of discipline.

Every officer and NCO assigned to the Academy will make it their duty to develop and mentor cadets into model officers. The focal point for this effort is the squadron Air Officer Commanding (AOC) and Military Training Leader (MTL). The AOC and MTL will lead, develop and mentor the cadets in their charge with a deep personal commitment that models the command relationship between the squadron commander and first sergeant. The universal guiding principle for all cadets, officers, and NCOs will be honor, integrity, and mutual respect that is the hallmark of the Academy tradition.

Honor, Integrity, Mutual Respect

The United States Air Force is the greatest air and space force on the planet because of the personal honor, integrity and loyalty of its people individually contributing their utmost to achieve a common goal: unbeatable air and space power for the nation. These characteristics can only be cultivated in a climate of trust and mutual respect: between the service and the nation; between the institution and its members; and, between the individuals who **are** the institution. In the absence of this fundamental compact, none of the values we cherish – integrity, service, excellence – can endure. Loyalty to these values and the institution must be placed above loyalty to any individual who betrays these values.

The Air Force Academy must bolster those processes and systems that guide honorable conduct, of which discipline for infractions is an integral component. The Academy must ensure cadets understand and exercise the spirit of these values in the context of their future in the Air Force. Discipline must be administered with measured judgment and in accordance with our core values. Ultimately, the success of the Air Force Academy depends on cadets, mentored by squadron-level officers and non-commissioned officers, internalizing these values and emerging from the Academy as officers of high character. The climate we strive to achieve at the Air Force Academy is one in which cadets take appropriate action to deter, stop, or report the criminal actions of a few that sully the reputation of themselves, their fellow cadets and the United States Air Force.

The Cadet Honor Code

The Cadet Honor Code is a statement of intent: the intent to hold both ourselves and our peers to an explicit standard of conduct. Enforcement of the honor code must be based on the goal of instilling in our cadets an imperative to voluntarily live by the **spirit** of the code rather than encouraging interpretive efforts to evade punishment under the **letter** of the code. A lie is a lie, the mere construction of which requires intent to deceive. Failing to acknowledge this simple moral truth reinforces an attitude accepting the evasion of responsibility for the consequences of one's own behavior. This behavior is unacceptable in a commissioned officer and is, as a result, not to be tolerated at the Air Force Academy.

A critical characteristic distinguishing a profession from a vocation is the willingness of its members to establish and enforce standards of professional conduct, removing those who fail to meet the standard when necessary. Character is a requirement for a practitioner of the profession of arms in the US Air Force. For this reason, we place special emphasis on the "toleration clause" of the Cadet Honor Code. It must be made clear that loyalty should never be confused with excessive tolerance, and that covering up another

cadet's criminal activity cannot be viewed as loyalty to a comrade. Ignoring or covering up illegal activity among our peers is to protect one who has violated his or her own loyalty to the institution and his or her fellow cadets. Active duty officers who oversee and provide advice to cadets about the administration of the honor code should assure compliance with its spirit.

Policy Directives and Initiatives:

Leadership

- The Superintendent is responsible for overall strategic leadership and planning at the United States Air Force Academy. The Superintendent will initiate a strategic planning process, which will define goals, specify measurable objectives, tasks, and metrics. These goals will be aligned with the stated mission and values of the Academy. The Superintendent will review all USAFA Instructions for compliance with the mission statement, the strategic planning goals, and USAF policies. The office of Vice Superintendent will be eliminated and redesignated as Director of Staff.
- The Commandant of Cadets is responsible for creating an atmosphere that ensures officer development and academic excellence are maintained to the highest standards. To enhance and ensure every aspect serves the cause of leadership and character development, the Director of Athletics will report to the Commandant. The Academic Dean, also bound by the leadership and character development mission, will continue to report to the Superintendent of the Academy. These two officers, the Commandant and the Dean, will work closely together in the development of our future Air Force leaders. The Office of the Vice Commandant, under the Commandant, will assist the Commandant in fulfilling his/her duties and act as an ombudsman for the Commandant and Superintendent.
- In addition to other duties assigned to this position, the Vice Commandant is specifically tasked with overseeing Academy sexual climate issues. In fulfilling the duties of an ombudsman, the Vice Commandant will:
 - Develop an effective template, along with performance metrics and databases, for the management of sexual assault cases in an expeditious, judicious and sensitive manner with the goal of ensuring justice is served both for the victim and the accused.
 - With the support of officers detailed to the Vice Commandant from the Office of the Judge Advocate, the Counseling Center, and the Office of Special Investigations, develop and implement procedures

for an Academy Response Team (comprising medical, legal, counseling, and command elements) to provide a victim of sexual assault immediate assistance, develop the facts, and initiate appropriate actions. The members of this team will receive special training on the management of sexual assault cases including victim psychology. The cadet alleging sexual assault will be thoroughly briefed on the investigative and legal process.

- Direct the Academy Counseling Center and maintain liaison as appropriate with community counseling entities.
 - Determine the appropriate policies and procedures toward separating those alleged to have committed sexual assault offenses from the alleged victims.
 - Every effort will be made to assist the alleged victims throughout the inquiry and assure victims that their concerns will be dealt with through the command channels. We will not tolerate criminals, nor will we tolerate their behavior. We will not tolerate individuals who harbor these criminals. We will not tolerate any individual who shuns alleged victims of criminal activity, nor will we tolerate retribution against these victims.
 - Under guidance from the General Counsel of the Air Force, apply definitions of sexual assault at the Academy consistent with standard, Air Force-wide definitions. Ensure all Academy instructions, training materials, and guidance reflect Air Force-wide definitions.
- Academy leadership must communicate with the faculty and cadets in a forthright manner about the status of cases being prosecuted, while protecting the privacy rights of the individuals involved. This will ensure the cadet wing is aware of the seriousness of the leadership's commitment to timely justice.

Cadet Life

- *Basic Cadet Training:* Beginning in the summer of 2003, the Basic Training program will be augmented to enhance cadet preparation for the military environment they are entering and the interactions that will occur. Basic Cadet Training must emphasize fair treatment and mutual respect. The orientation will provide substantial material on sexual assault prevention and overall behavior expected of cadets. The program syllabus will include guidelines on workplace behavior – including consistent USAF definitions of sexual assault and harassment – as well as demeanor and consequences.
- *Fourth Degree Training:* During Basic Cadet Training, in order to instill a sense of responsibility and uphold the standards of good order and

discipline of the United States Air Force Academy, only First Class or Second Class Cadets will interact with Fourth Class cadets. In the first half of the fall semester, only First Class cadets will discipline Fourth Class cadets. After Thanksgiving, selected Second Class cadets can be given training responsibility for Fourth Class cadets. Third Class cadets will only interact with Fourth Class cadets in academic mentoring/tutoring circumstances or on the spot training guidance. The exercise of discipline toward a Fourth Class cadet by Third Class cadets will be governed by a First Class cadet.

- *Billeting/Dormitory Life*: Separate billeting arrangements will be established for female and male cadets upon entering the Academy for Basic Cadet Training. During the academic year, Fourth Class cadets will be billeted with their assigned squadrons.
- Rooms will be arranged in the dormitories to provide for squadron integrity. Within a squadron, rooms occupied by female cadets will be clustered in the same vicinity near the women's bathrooms. The intent is to preserve basic dignity, deter situations in which casual contact could lead to inappropriate fraternization or worse, and to aid mentoring of lower-degree female cadets by senior female cadets.
- No cadet will enter the room of another cadet of the opposite sex without knocking on the door and announcing themselves, and waiting for the door to be opened by the cadet occupying the room. Doors shall be fully open at all times when a non-roommate or several non-roommates are present in the room. The Commandant of Cadets will determine the appropriate level of punishment for any violation of this standard.
- The Commandant will establish a 24/7 dormitory security and monitoring system. An officer will be on duty at all times in the dormitories. This duty officer will be responsible for good order and discipline, and will manage a roving patrol in effect at night and on weekends. Fourth class cadets will not be assigned such duty.
- Any cadet found to provide, purchase for, or sell alcohol to an underage cadet will be disenrolled immediately.
- *Reporting Incidents of Sexual Assault*: All allegations of sexual assault will be reported to the officer chain of command immediately.
- The Counseling Center and the CASIE program will be realigned under the 34 Training Wing and report to the Vice Commandant. The Counseling Center will be staffed with qualified officer counselors.

- All efforts will be made to encourage victims of sexual assault to report any incident. Specific attention will be paid to the education of both male and female cadets regarding action they can take to prevent or to report instances of assault on them or their fellow cadets. Annual Training is required for all cadets, staff, and faculty. The Vice Commandant of Cadets is responsible for establishing, monitoring and documenting this annual training requirement.
- Because loyalty to values and loyalty to institution must be placed above misplaced loyalty to someone who's betrayed our values and our institution, shunning of cadets who attempt to maintain high standards and report sexual assault will not be tolerated and will be dealt with by cadet squadron commanders who have responsibility for maintaining and enforcing standards. Cadet commanders will be held accountable for ensuring that such behavior does not occur.
- Cadet support groups will be organized by the Superintendent to address aggressively the concerns of victims of sexual assault.
- Cadet commanders will be held responsible for the actions of their subordinates. Upper class cadets who are aware of or observe criminal activity will be held accountable if they fail to take charge of the situation and exercise their leadership responsibilities.
- In all reported cases of sexual assault, amnesty from Academy discipline arising in connection with the alleged offense will be extended to all cadets involved with the exception of the alleged assailant, any cadet involved in covering up the incident, any cadet involved in hindering the reporting or investigation of the incident, and the senior ranking cadet in attendance. The senior ranking cadet present will be responsible and accountable for all infractions committed by junior cadets.
- Any false accusations of sexual assault will be prosecuted to the full extent of the law.
- All medical personnel will receive training in dealing with sexual assault and at least one nurse and doctor will be assigned to the Academy Response Team. Rape Kits will be available at both the Cadet Clinic and Academy Hospital.
- *Mentors:* The Commandant of Cadets will establish a cadet-mentoring program. Each Second Class female cadet will serve as a mentor to at least one Fourth Class female cadet not in her squadron or group, and each male Second Class cadet will mentor at least one Fourth Class male cadet not in his squadron or group. Evaluations of military performance

for the Second Class cadets will in part be based on their mentoring performance.

- The "Bring Me Men..." sign on the Terrazzo wall will be removed immediately, and will be replaced by a statement that more suitably represents the aspirations of the entire cadet wing and the core values of the Air Force.
- An audit of Academy processes to deter, stop, or deal with sexual assault will be conducted every three years by the Headquarters Air Force.

Officer/NCO Selection, Training, Roles

- Air Officer Commanding (AOC) Selection/Training: AOC assignment processes will be enhanced to ensure that selectees are superior officers who achieve commanders' list status. AOCs will be specially selected and academically prepared to assume the unique duties of leading, mentoring, and training cadets. All AOCs will be Majors or Major selects. AOCs will meet a central board established by AFPC. The Commandant of Cadets is responsible for the final selection of all AOCs. All AOCs will be required to live on base.
- AOCs will receive one year of graduate education resulting in a Masters Degree in counseling or similar area prior to a 2-year role as AOC. During the year of study, the officer will have formal OJT with a sitting AOC. AOCs will be considered priority status for post USAFA assignments.
- A specially selected experienced Non-commissioned officer will be assigned to each cadet squadron as a Military Training Leader (MTL). This NCO will report to the Squadron Air Officer Commanding (AOC) and will be senior to any cadet at the Academy. These senior enlisted airmen will be in the chain of command, and will assist the AOC in maintaining good order and discipline.
- Military Training Leaders (MTLs) will receive specific training in the combination of skills required in the cadet setting.
- AOCs and MTLs will be placed on orders in the chain of command to the Commandant of Cadets, and will be noted as such in the organizational charts of the Academy.
- The duties of the AOC and MTL will be clearly defined in written instructions based on parallel activities in the active duty Air Force.

- The primary place of duty of the AOCs and MTLs is in the cadet squadron or all other areas best facilitating their involvement in the daily life and routine of the cadets in that squadron.
- AOCs will be commanders and will be so designated on G-Series orders. They will have Uniformed Code of Military Justice authority and responsibility commensurate with their rank.

Broader Academy Climate

The academic and athletic elements of the Academy will be recognized as contributions to the military purpose of the institution.

- As noted, the Director of Athletics will report to the Commandant. Those engaged in intercollegiate athletics will be required to engage in military and leadership training equivalent to their classmates. Off-season athletes will be required to participate in squadron activities.
- The Academy Board will be re-chartered as the Senior Executive Board. The board members will act as advisers to the Superintendent regarding the balance of time devoted to academic and officer development activities with responsibility for final decisions resting solely upon the Superintendent.
- Department Chairs will participate in an Academic Board that will report to the Dean.
- Communications among the military, academic and athletic departments will ensure that the status of cadet probations, current status of active or inactive participation on athletic teams, and academic progress are openly and promptly communicated across departments.
- Appropriate academic courses in leadership and character development will be made part of the core academic curriculum. A lecture series sponsored by the Secretary of the Air Force and supported by senior Air Force leadership will emphasize the moral and ethical standards expected of Air Force officers. The Department of Behavioral Science and Leadership will offer courses in military leadership.
- All candidates for Permanent Professor slots will be interviewed and selected by the Secretary and Chief of Staff. Unless extended by the Secretary of the Air Force, a Permanent Professor will be expected to retire in the rank held at 30 years of service. The senior officer in each department will be held accountable for all subordinate military officers and will ensure good order and discipline within his/her department.

- Department Chairs will rotate among the faculty within that department. No faculty member will hold a departmental chair for a period exceeding five years.
- Officer assignment policies and tour lengths at the Air Force Academy will be reviewed and revised by the Secretary of the Air Force. USAFA assistant and associate professors should be recruited from the top personnel out of the line force, teach for a designated period, and then return to the line.
- With the exception of those designated at the discretion of the Secretary and Chief of Staff, all graduates of the Academy will enter the Air Force as 2nd Lieutenants in operational line AFSCs at the wing level or below. Our objective is to ensure that all physically qualified Academy graduates become fully immersed into expeditionary wing level operations, maintenance, and staff or mission support squadrons of the Air Force. It is imperative that graduates first gain experience in the front line warfighting mission of the Air Force before branching off into non-combat related fields. Law school, medical school, liberal arts graduate schools or functional career fields such as acquisition or public affairs may be pursued only after these officers have proven themselves as operational Air Force professionals.
- Those cadets interested in cross commissioning to other military services will retain that option under existing regulations.
- Pilot training slots will be evenly divided between Academy and ROTC scholarship accessions. In addition, OTS accessions may compete for pilot training slots.
- In accordance with Title 10, U.S.C., all AFROTC cadets who are appointed as officers in the Air Force in May or June will have the same date of rank with Academy graduates, regardless of their graduation date. After twelve months, the lineal list will be published. The top officer for that year group will be the top graduate from the United States Air Force Academy. All other Second Lieutenants with this date of rank will be slated according to their cadet performance – either at the Academy or in the AFROTC program. Any cadets may have their lineal ranking as officers affected by disciplinary action during their time at the Academy or AFROTC.

**Statement of Congressman Michael M. Honda
Before the House Armed Force's Total Force Subcommittee
April 1, 2003**

Good morning, Mr. Chairman, Ranking Member and distinguished Members of this subcommittee. I thank you for the opportunity to submit testimony before the House Armed Services' Total Force Subcommittee. I am sharing testimony on an incident of sexual assault against one of my female constituents at the Air Force Academy, and to express my concern over the Academy's egregious mishandling of sexual assault charges against their students.

In the summer of 2002, a bright and accomplished constituent of mine entered the Air Force Academy with high expectations and a positive view of the military institution, a view that I shared. Unfortunately, the Academy's dismissive approach to investigating and prosecuting allegations of sexual assault has challenged the prestige and honor of this fine institution. My constituent, who I proudly nominated for admission, withdrew from the Academy two months ago. I have been informed by her family that she was the victim of a sexual assault from a previously-respected upperclassman in the Fall of 2002, her first term at the Academy.

Tragically, like many other young women at the Academy, this young cadet chose not to report the assault to Academy administration officials out of fear of reprisal, ostracism and harm to her future career. Other female cadets, in whom she confided, had discouraged her from reporting the assault, arguing that the Academy had turned a blind eye towards such allegations in the past. I am disturbed that an institution that cherishes discipline, honor and loyalty would adopt a permissive and cavalier posture towards sexual assault, an illegal act for which there can be absolutely no justification. The Academy's record of failure to appropriately handle reports of sexual assault against women in uniform has tarnished its reputation and robbed our nation of future officers of the highest caliber.

My constituent and her family have forwarded to me recommended policy and procedure changes at the Academy. First, reform in the Academy must be more than replacing the leaders, segregating the dormitories, and removing the "Bring Me Men" sign. Problems have arisen out of a culture that is deeply embedded within the institution, and cannot be solved by changes that only scratch the surface.

Second, my constituent has indicated that the individual who attacked her was drunk, and that alcohol abuse is very much an acceptable part of the school culture. The Academy must respond to the dangers of drinking by educating cadets, imposing strict rules and punishing infractions consistently.

Finally, the family has stressed its desire for the Air Force to respond to the Academy's mishandling of sexual assault allegations by implementing reasonable policies that nurtures more positive interaction between male and female cadets. In short, the family

recommends a reasonable, measured and thorough approach to reform, one that does not foster animosity or distance between the genders.

Like all of my colleagues, I treat the military academy nomination process seriously, and for good reason. Currently, America's men and women in uniform are fighting a dangerous war in Iraq. The Academy is charged with training cadets for such situations--situations where trust and loyalty help win the day. The sexual assaults at the Air Force Academy have made our military weaker, not stronger. While I understand reforms have been put in place, still more must be done to protect female cadets and to foster an environment that encourages women to report attacks.

Until such steps are taken, it is with reservation that I will nominate the best and brightest from California's 15th Congressional District. Reports of the Academy's blatant disregard for the victims of sexual assault have challenged my faith in this institution. I want and expect that the Congress and the Air Force will make necessary changes, so that I can confidently tell future cadets and their families that the Academy is a safe and positive environment for all.

As for my constituent, admirably, she still hopes to pursue a career in the Air Force, likely through the ROTC. Before she can take next steps, however, she is working to resolve an outstanding debt of \$5,000 that the Air Force is claiming because of her premature departure. It is clearly of added distress and dishonor for the family to have to worry about reimbursing an institution that has clearly harmed their interests. I look forward to being informed of the results of the independent investigation by the Department of Defense's Inspector General, and a report back from the Air Force Academy about the changes they will be instituting to ensure that this kind of harm never happen again under its watch.

Thank you.

**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

APRIL 1, 2003



QUESTIONS SUBMITTED BY DR. GINGREY

Dr. GINGREY. But I did want to ask you a couple of questions about the percentages, 56 cases over the last ten years. I would like you to maybe just aggregate that for us as we come forward to the present time in respect to numbers. And also in regard, there was some mention about the athletic program at the academy. What percentage of these cases possibly involve student athletes and then finally how many of these cases actually led to prosecution and conviction.

Secretary ROCHE. At present we are aware of 61 sexual assault allegations at the Air Force Academy involving incidents that occurred, and were reported to the Academy, during the ten year period 1993 through 2002, and that resulted in investigations. Of these, the alleged victim was a cadet in 46 cases, the assailant was alleged to be a cadet in 54 (and was identified by name in 42 cases), and forty cases involved both cadet victims and cadet suspects. I should emphasize that these are numbers of allegations, not all of which resulted in evidence a crime had been committed.

Of the 42 cadet suspects identified by name, six were court-martialed for rape, sodomy or indecent assault; of these, five were convicted and one acquitted. All of those convicted were subsequently involuntarily discharged. In addition, seven received nonjudicial punishment under Article 15, UCMJ. In all, 12 of these 42 cadets were involuntarily discharged, another nine resigned in lieu of criminal prosecution or administrative action, and one left the Academy voluntarily. Nineteen of them graduated, and one is still at the Academy.

Eleven of the 42 cadet suspects (28%) were recruited athletes. For comparison purposes, about 24% of all male cadets at the Academy are recruited athletes.

QUESTIONS SUBMITTED BY MR. HAYES

Mr. HAYES. I understand that the sexual assault reporting system at the Air Force Academy is different from the rest of the Air Force, and that the principal means of reporting is through the CASIE system because this system provides anonymity. I am told that reports through the CASIE system do not go to the Command and unit commanders, but go to the Superintendent. Why was this system developed, and does it allow the Commandant to effectively act in these instances?

Secretary ROCHE and General JUMPER. The present sexual assault reporting process at the Air Force Academy was developed beginning in 1993, in response to a sexual assault allegation. It was believed at the time that a victim-controlled system, in which cadet victims of sexual assault could elect to report anonymously and determine whether or not the case should be investigated, would encourage victims to come forward. To prevent serious cases from "slipping through the crack," the Commandant was to be informed of complaints (though not of the identity of those who reported anonymously), and the Superintendent, on being informed by the Commandant, was authorized to override confidentiality and direct an investigation when he considered it necessary. This process differed from that in the rest of the Air Force, where confidentiality does not apply and all sexual assault reports are provided to the chain of command for investigation.

While we are still studying the impact of this Academy-unique process, our preliminary information indicates that, while the number of reported cases did increase after it was first implemented, the confidentiality aspects of the process may have prevented the Academy chain of command from receiving sufficient information to make informed decisions about some allegations and prevented some investigations from being conducted. In the Agenda for Change that General Jumper and I announced on March 26, 2003, we require that the Academy's reporting process be realigned so that all allegations of sexual assault will be reported to the officer chain of command immediately.

Mr. HAYES. Did anyone ever suggest changing this system to provide this information to the officers charged with the day-to-day supervision of cadets? If this information went to the Superintendent, how did this information get back down to the Commandant?

Secretary ROCHE and General JUMPER. Under the Agenda for Change, the process is being changed to ensure that all allegations of sexual assault involving cadets are reported to the Cadet Wing's officer chain of command.

Mr. HAYES. I was told that the counseling center was aligned under the Dean of the Faculty. How does information that the counselors receive get back to the commanders when it is needed for decisions on cadet disciplinary or administrative actions? How is the information then handled?

Secretary ROCHE and General JUMPER. See preceding questions.

Mr. HAYES. Did the Air Force Academy survey cadets on these issues? What did the data say and what was done with it?

Secretary ROCHE. The Academy has included questions about gender climate, sexual harassment, and sexual assault in climate surveys administered to cadets since 1996. The results of these surveys are being considered by the Working Group that I chartered to examine sexual assault issues at the Academy and will be discussed in the Working Group's report.

Mr. HAYES. Recent statements indicate that the Academy was shortchanged for years on manpower and resources. Do you feel these shortfalls contributed to these problems?

Secretary ROCHE. There are indications that reduced manning may have had some impact on the administration, analysis and use of information related to sexual assault at the Academy, and that Air Force-wide constraints may have affected the selection of officers for Air Officer Commanding (AOC) positions. The Agenda for Change has addressed the AOC issue. I expect the new leadership at the Academy to determine what, in terms of manpower and resources, may be needed for the future, and we will deal with any issues that arise.

QUESTIONS SUBMITTED BY MR. HEFLEY

Mr. HEFLEY. But one thing that bothers me that I do not see here. And we talked about it personally but the Air Force Academy has a protocol with the local justice people in I know El Paso County in Colorado Springs that says if the crime is committed on the Air Force Academy, the Air Force Academy deals with it first.

And if you deal with it, you can call it in, but if you deal with it, fine. And that is kind of the way it has traditionally been done. But I, when I am thinking about how do you inject into these cadets the seriousness of this, that you are not violating a regulation, you are, committing a crime. You are committing a felony.

And I had the dubious honor of being Chairman of the Ethics Committee in the House of Representatives. That is the internal investigative and enforcement body for behavior for members of Congress to correspond to your internal Air Force justice system.

And yet, the Justice Department if they think one of us had committed a crime, they could also file charges of it. An example of this is the Traficant issue that occurred last year, where he was convicted of crimes, he was also charged within our system of justice internally and was expelled from Congress.

I would like for you to speak to the fact why cannot we have both functioning at the same time in your system as well.

Secretary ROCHE. Let me answer your question in two parts. First, we have from the beginning of this process made it clear that sexual assault is a crime and that those who commit sexual assaults are criminals who will be punished to the fullest extent of the law and for whom there is no place at the Academy or in the Air Force. The Superintendent of the Air Force Academy is a General Court Martial Convening Authority under the Uniform Code of Military Justice (UCMJ) and has ample authority to see to it that sexual assaults at the Academy are investigated and whenever appropriate, prosecuted as crimes. The Academy has scheduled an Article 32, UCMJ, hearing (the military analog of a grand jury proceeding) in a sexual assault case to begin in the near future, and is awaiting the results of two other sexual assault investigations.

Second, the Academy reservation is a concurrent jurisdiction enclave, which means that both Federal and State authorities may exercise jurisdiction over crimes committed there. As you point out, the Academy has agreements with the surrounding local jurisdictions that give the Air Force the primary responsibility for investigating and prosecuting most crimes that occur on the Academy reservation. I believe that's entirely appropriate; we have both the means and the obligation to clean our own house. However, this wouldn't exclude action by the local authorities in an appropriate case.

QUESTIONS SUBMITTED BY MS. MCCOLLUM

Ms. MCCOLLUM. Mr. Secretary, when it comes to the issue of sexual assault against women and men, there is no "spirit of the code." There is no "Academy tradition." There is no "loyalty to the institution." Rape is rape, both inside and outside of the military. Those who commit such heinous crimes at the Academy must know that they are breaking the law, not simply dishonoring the "spirit of the code," and that they will be punished to the fullest extent of the law, as would be the case in civilian life or under court marshal [*sic*].

The Air Force Academy's "Agenda for Change" is filled with page upon page of rules and recommendations that follow the standards set forth in the Academy's "code" or "standard of discipline." Page 1 states that the "universal guiding principle for all cadets, officers and NCOs will be honor, integrity, and mutual respect that is the hallmark of Academy tradition." Page 2 refers to the "loyalty of those values and the institution must be placed above loyalty to any individual."

What I find most disturbing is the "Agenda for Change" is the section that states, "Enforcement of the honor code must be based on the goal of instilling in our cadets an imperative to voluntarily live by the *spirit* of the code rather than encouraging interpretive efforts to evade punishment under the *letter* of the code." Military Academy leaders are held to the highest expectations and standards, and as leaders you must teach our cadets our future leaders—that the letter of the code is the letter of the law, and by breaking this code they will be punished to the fullest extent under military, civil or criminal law.

Mr. Secretary, can you please explain to the committee the steps you are taking to ensure your cadets know that the "code" and "honor to the Academy" are not sufficient reasons to condemn the act of sexual assault, but rather that these acts are destructive and wrong, and are direct violations of the laws that bind our society and apply to every other person in the United States?

Secretary ROCHE. I have from the beginning made it clear that sexual assault is a crime and that those who commit sexual assaults are criminals who will be punished to the fullest extent of the law and for whom there is no place at the Academy or in the Air Force. But the standards we expect of those who would be Air Force officers go beyond just refraining from breaking the law. We expect our future officers to internalize the values of character, leadership, integrity and honor, and for them to do so, the Academy must instill those values effectively. It is to that end that much of the Agenda for Change is directed. Living by the spirit of the Honor Code is not a lower standard than living by its letter; rather, it is a much higher standard. It is the difference between, on the one hand, doing the right thing because it is the right thing and, on the other hand, just obeying the rules to avoid punishment. The former standard is the one our officers and cadets must aspire to. Its significance, of course, extends far beyond the issue of sexual assault, but to focus on that issue: individuals of character and integrity don't commit sexual assaults.



FISCAL YEAR 2004 NATIONAL DEFENSE AUTHORIZATION ACT—MILITARY RESALE AND MORALE, WELFARE AND RECREATION PROGRAMS ACTIVITIES

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
TOTAL FORCE SUBCOMMITTEE,
Washington, DC, Wednesday, April 2, 2003.

The subcommittee met, pursuant to call, at 1:05 p.m., in room 2212, Rayburn House Office Building, Hon. John M. McHugh (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE

Mr. MCHUGH. Let us begin the hearing. Let me begin by thanking you all for being here tonight—tonight, that was not a Freudian slip. We are not going to be here until tonight. And one of the reasons this has been rescheduled is we have a briefing from Secretary Rumsfeld at 4 o'clock on the full House floor. And so that necessitated moving the previous time from 3:30 to 1. We particularly appreciate our distinguished panelists for accommodating us.

I also want to apologize to the second panel that was scheduled to appear. Because of the time compression, we did not feel we could deal with their perspective on the issues in an effective manner and in the time available. So we have now restructured the hearing to just have this first very distinguished panel.

And while I am on the issue of thank yous, let me also thank two people. First, my mom for giving birth to me so I could be here, but also—I had to say that in case there is a clip somewhere. [Laughter.]

But also in the audience is my predecessor, who owes me some apologies, by the way, for mischaracterizing this job. [Laughter.]

Who helped me not only to learn how to spell MWR, but the importance of it. A 12-year member of both this committee and a long-serving member, a dedicated member of what was then the Morale, Welfare, and Recreation (MWR) panel, David O'Brien Martin.

O'B, good to see you my friend.

Good afternoon, as I said. Today is the second of two hearings the subcommittee will conduct on military resale and morale, welfare and recreation or MWR programs. As I explained, the scheduling conflict has necessitated this change and we appreciate your flexibility.

During the first hearing on March 12th, 2003 the subcommittee heard testimony from organizations representing the patrons of

MWR activities and business leaders who work closely with the military resale community. During that hearing the witnesses raised many important concerns.

Since then there appears to me to be a growing intensity about those concerns, fueled, in part, by perceptions that the military resale community will inevitably be subjected to budget cuts, privatization and consolidation with the ultimate objective being an end to the commissary and exchange benefits as we know them today.

The intensity of the concern is especially acute, I imagine, and tangible with the appearance in recent days of a Department of Defense (DOD) staff paper that indicates consolidating the three exchange systems is now a DOD priority. Given that Congress legislated a bar to consolidation in 1999, this new evidence of DOD interest will certainly be one of the subjects the subcommittee will explore with our witnesses today.

To just underscore and make certain everyone understood my message of March 12th, let me restate it. The need to find money for the budget is insufficient justification, in my mind, to reduce military resale and MWR benefit levels provided to our servicemembers and their families.

Let there be no doubt that the Congress, and in my opinion only the Congress, will be the final arbitrator for any change to commissary and exchange programs. We are willing to consider proposals to make these pillars of the military community more efficient and more effective, but not if there is any potential that the proposed changes will reduce benefit levels.

I feel that reaffirming support for these critical programs is particularly important right now during a war when the military community is under its greatest stress.

Right now, when our troops are in harm's way, is when these programs are needed most and when we reap the biggest rewards from our commissary, exchange and MWR investments. Right now the military resale and MWR activities are bringing much needed stability, familiarity and cohesiveness to the military community.

And I would challenge critics who believe that military resale and MWR activities are nonessential activities-to go to a military installation today and simply ask how important these programs are to the military community. And I think if that were to occur, we would be hearing far fewer rumors about benefit cuts.

The question is, what is the nature of the threat to these benefits, if any? Fortunately, our DOD witnesses today are positioned to give us an assessment of the budget pressures that threaten military resale activities most directly. And we are certainly grateful for the opportunity to hear about management's plans and expectations for military resale activities.

In addition to the statements provided by our witnesses today, the subcommittee has received statements in addition from the witnesses from the now-canceled second panel representing MWR activities within the services.

These are obviously very, very important perspectives. And the necessity to, as I said, compress the hearing and unfortunately not hear from them directly does not in any way diminish our concern, our respect and our great interest in that input.

And certainly all of those panel's witnesses testimony, without objection, will be entered into the record.

And just for the record, those statements come from the Honorable John M. Molino, Deputy Undersecretary of Defense for Military Community and Family Policy, Brigadier General Robert L. Decker, Commander U.S. Army Community and Family Support Center, Rear Admiral Select Mark Purcell, Assistant Commander, Navy Personnel Command PERS-6, Mr. Arthur J. Myers, Director of Services, Headquarters, United States Air Force. And without objection, as I said, those statements will be entered into the record.

[The prepared statements of Secretary Molino, General Decker, Admiral Purcell and Commander Myers can be found in the Appendix on pages 954, 965, 981 and 1006.]

In addition, the subcommittee received two statements from the North American Perishable Agricultural Receivers and the American Military Family Services. Also without objection, those additional statements will be entered in their entirety into the record.

[The statements referred to can be found in the Appendix on pages 1031 and 1027.]

And before I do introduce our witnesses, let me very appreciatively yield to the acting ranking member, long-time member of the former MWR Panel, in fact, former ranking member of the MWR Panel, my good friend, from the great state of Massachusetts, Mr. Meehan.

Marty.

STATEMENT OF HON. MARTY MEEHAN, A REPRESENTATIVE FROM MASSACHUSETTS

Mr. MEEHAN. Thank you very much, Mr. Chairman. I want to thank my mother as well. [Laughter.]

Mr. MCHUGH. Smart move.

Mr. MEEHAN. I want to join the chairman in welcoming our distinguished witnesses today.

During the first MWR hearing this session, we heard the perspectives of representatives of authorized patrons and merchants who support the military resale system. They reinforce the perception that the military resale system is an integral and important part of the military community and is perceived as a significant determinate of the quality of life of authorized patrons. The contribution of the commissary as part of the non-pay compensation system was singularly emphasized.

While there might be questions at large about why the Department of Defense continues to invest in MWR activities, committee members recognize the high return on that investment. MWR activities support military families. Military families contribute enormously to the strength and readiness of our armed forces.

I hope that there was a clear message that this subcommittee fully supports retention of quality MWR programs, especially in light of the significant sacrifices the total force and our military families are making at this particular time in our Nation's history. They deserve nothing less.

Today's hearing should help us to better understand how the department intends to sustain the MWR benefits. There is not much

time available, but I do want to offer two pressing concerns, if I may, Mr. Chairman. Both have the potential of changing the character of military quality of life as an unintended consequence of some of the cost-saving proposals under consideration.

First, I would like the department to address the need for a comprehensive MWR strategic plan that would incorporate and implement elements of the department's compact with war-fighters in many recent studies and defense reviews.

And in light of the enhanced use of guard and reserve forces to support ongoing operational requirements, the strategic plan should address the reserve component force access equity issues. In other words, should reservists have the same access to commissaries as the active force? I think they should.

Additionally, I am concerned about the recent initiative to consolidate the services' exchanges. I am familiar with many of the studies that have been conducted over the years regarding exchange integration.

It would be helpful if the witnesses would relate why the department has decided to direct a consolidation of the exchange rather than have the service exchange directors continue to seek agreements and operations among the exchange systems that are determined to be mutually beneficial.

I look forward to the testimony and response to our questions.

Thank you, Mr. Chairman.

Mr. McHUGH. Thank you very much. The gentleman's comments, participation, leadership is always appreciated.

Any other members wish to make any opening remarks?

With that I want welcome the actual ranking member, Dr. Vic Snyder.

Vic, thanks for being here.

Let me get right to the introductions of the panel. First, the Honorable Charles S. Abell, Principal Deputy Undersecretary of Defense for Personnel and Readiness.

Mr. Secretary, welcome.

Lieutenant General Michael E. Zettler, chairman, Department of Defense Commissary Operating Board.

General.

Major General Kathryn G. Frost, Commander, Army and Air Force Exchange Service.

General.

Rear Admiral William J. Maguire, Commander, Navy Exchange Service Command.

Admiral.

Major General Mike Wiedemer, Director, Defense Commissary Agency.

And Michael P. Downs, Director of Personnel and Family Readiness Division.

Welcome to you all.

And with that, Mr. Secretary, let's go right to the big gun and hear from you, sir.

**STATEMENT OF HON. CHARLES S. ABELL, PRINCIPAL DEPUTY
UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND
READINESS**

Secretary ABELL. Thank you, sir. Good afternoon, Mr. Chairman and members of the committee. I appreciate the opportunity to come today and discuss our exchange and commissary operations.

As our troops are engaged in Operations Noble Eagle, Enduring Freedom and Iraqi Freedom, the exchange systems and the commissaries are there with them, providing the goods and services they need and maintaining that necessary touch with home.

The commanders seated up here with me will speak to their specific initiatives in support of the troops and their families.

Mr. Chairman, as you and members of this committee are aware, or you mentioned in your opening statement, staffing document that resulted in a memo signed by the deputy secretary directing me to take the initial steps toward consolidating the three exchanges was leaked to the public last week. The unfortunate result of this leak is that, contrary to our intent, we were unable to notify you, the members of this committee, Members of the Senate Armed Services Committee and other interested members in advance of public release.

The memo in question has changed some during the drafting process, but the intent of the Department is to initiate a planning process that will ultimately result in the consolidation of the exchange systems.

Mr. Chairman, we are acutely aware of Section 346 of the National Defense Authorization Act for Fiscal Year 1999. As you know and, as you mentioned, this section requires that the Department seek specific approval before we take action to consolidate the exchanges. The effort that I expect the deputy secretary to initiate will result in a plan that we will bring to this committee for approval. While I do not have a precise timetable, I expect the effort will take several years before we would bring that plan to you.

The purpose of exchange consolidation is to preserve and strengthen the benefit. Our morale, welfare and recreation programs cannot exist without the dividend the exchanges provide. Exchange dividends have been declining over the years, and are projected to continue that decline. If we can reduce duplication, take advantages of economies of scale and best business practices across the exchange systems, we can maintain or even increase the dividend to the MWR programs.

Mr. Chairman, this consolidation effort will not be a takeover by one system of another. The result will be transparent to the customers: Marines will continue to walk into a Marine Exchange, sailors will shop in Navy Exchanges, soldiers will visit a PX and airmen will gather at the BX, just as they do today. The back rooms, the IT systems and overhead infrastructure will be streamlined and made more efficient.

As we develop a plan, each of the exchange commands, each of the military services, representatives of the beneficiary groups and industry associations will participate with us. We will ensure that all equities are considered as we move forward. When we bring the plan to you for approval, we may not have pleased every faction but all will have participated in the development.

During the hearing this afternoon we will also discuss the Defense Commissary Agency. General Wiedemer and his team are doing a great job providing this important benefit, and I want to point out that the Exchange Consolidation Initiative does not include the Defense Commissary Agency.

Mr. Chairman, with that I am prepared to respond to your questions.

[The prepared statement of Secretary Abell can be found in the Appendix on page 879.]

Mr. MCHUGH. Thank you, Mr. Secretary.

Next to General Michael Zettler.

Mr. Chairman, welcome.

STATEMENT OF LT. GEN. MICHAEL E. ZETTLER, USAF, CHAIRMAN, DEPARTMENT OF DEFENSE COMMISSARY OPERATING BOARD, DEPUTY CHIEF OF STAFF FOR INSTALLATIONS AND LOGISTICS HEADQUARTERS USAF

General ZETTLER. Thank you, Mr. Chairman, members of the committee. It is, indeed, an honor to be here to represent the Air Force, the Commissary Agency, Army-Air Force Exchange Services today, all of which I interact with on a daily basis.

I think when the end-story is told we will all be tremendously proud of how the Commissary Services and the Army-Air Force Exchange Services, as well as the Navy Exchange and the Marine Corps Exchange, have interacted together to support our troops in the deployed environment.

It has truly been incredible. Every morning at 4:30, 5 o'clock, when I start to take the morning briefings, one of the highlights of my briefings is where are we opening another exchange at, how are we making things move, how is the commissary providing goods and services to feed our soldiers, sailors, airmen and Marines around the world in the deployed environment. It is inspirational.

It has been my honor to work with these folks, they are doing great work. They certainly do have some challenges as we go forward, but I think these men and women are prepared to step up to these challenges.

Sir, with that I am prepared to take your questions.

[The prepared statement of General Zettler can be found in the Appendix on page 943.]

Mr. MCHUGH. Thank you, General.

General Kathryn Frost, Army and Air Force Exchange commander.

General.

STATEMENT OF MAJ. GEN. KATHRYN G. FROST, USA, COMMANDER, ARMY AND AIR FORCE EXCHANGE SERVICE COMMAND

General FROST. Mr. Chairman, if I could follow your lead and thank my mother, too?

Thirty-eight years ago, she came home from bridge club to tell me that there was a system in the military, the PX, that sold Vil-lager clothing at discount. I only wish she knew—she could know that I am the commander of the Army and Air Force Exchange

Service (AAFES), she would actually think I had amounted to something in my Army career.

Mr. MCHUGH. She would be right, by the way. [Laughter.]

General FROST. Over 30 years ago, I walked into my first PX and discovered that there was a special benefit that was provided just for people in the military and their families.

That benefit continues to get better and better as our AAFES team really steps up to the plate. And, as you said, never before has that benefit been so critical for our force.

AAFES provides to our customers value at the cash register, it generates over \$7 billion in revenue a year, last year it put \$329 million on the bottom line, and contributed some \$220 million to the services for MWR. And we serve the best customers in the world in all 50 states and some 35 countries. We literally go where they go. Right now AAFES has 39 stores in Operation Enduring Freedom, Operation Iraqi Freedom, staffed by some 275 AAFES associates. We have 16 stores in Kuwait, serving soldiers, airmen, sailors, Marines and coalition forces. And we are making plans right now to move forward into Iraq as soon as we get the word.

There are three maps that we put out in the hallway as you enter the anteroom which show the committee where AAFES has operations serving our forces today in contingency operations. I hope you will have a chance to take a look.

I recently opened a new store at Camp Udairi in Kuwait. I was reminded just how important the exchange benefit is when I looked at hundreds of 3rd Infantry Division soldiers waiting for the ribbon to be cut on their new store, waiting to go inside for a little bit of home in a place about as far away from home as you can get.

That is why I look forward to working so closely with the committee to continue to deliver value, service and support to our servicemembers and to ensure that 30 years from now the exchange benefit is stronger than ever.

I look forward to answering your questions.

[The prepared statement of General Frost can be found in the Appendix on page 892.]

Mr. MCHUGH. Thank you. I would like to thank your mother, too, General. [Laughter.]

We appreciate your devotion and dedication.

Admiral William Maguire, Commander, Navy Exchange Service Command?

Admiral, welcome, sir.

STATEMENT OF REAR ADM. WILLIAM J. MAGUIRE, SUPPLY CORPS, U.S. NAVY, COMMANDER, NAVY EXCHANGE SERVICE COMMAND

Admiral MAGUIRE. Good afternoon, Mr. Chairman, distinguished members of the Total Force Subcommittee, Secretaries Abell and Molino, my fellow flag officers and representatives of government and industry, I am honored to speak to you as commander of the Navy Exchange Service Command and its 16,000 associates worldwide.

The Navy Exchange System is a global enterprise made up of three distinct business units. They are the Navy Ship Stores Afloat,

the Navy Exchanges along with all associated business elements, and the Navy Lodge Program.

Our commander-in-chief told our military to be ready. Like our military forces, I am pleased to report to you that the Navy Exchange System is ready to answer any challenge that we will be called upon to face. Whether it is to support the men and women who are forward-deployed defending this Nation, or whether it is to support and take care of their families back home, we are ready.

I have provided my full written statement for the record, and I thought I would spend a few moments discussing the specialized mission of the Navy Exchange System.

Our role transcends the traditional relationship between a customer and a retail store. We concentrate our efforts on serving that very specialized niche market: the military family. From the most junior enlisted to the most senior flag officer and everyone in between, we have products and services to support them all, including their families, well into their retirement years. It certainly is our passion.

We are a very important part of the total military community on-board every Navy base and Navy ship. We know the culture of those we serve, and we tailor our support to their unique needs. We truly are the Navy family store.

Finally, we provide our stores where they are needed to support our servicemembers, not just where they are profitable. Our profit motive in the Navy Exchange System is secondary to providing products at a savings to our customers. But we are still committed to generating money to support morale, welfare and recreation activities, both ashore and afloat. This relieves the U.S. taxpayers of some of the fiscal burden of supporting MWR programs.

I am pleased to report that in 2002, we increased our contributions by 15 percent over 2001. Whether it is a ship store, an exchange, a commissary or an MWR support activity or a Navy lodge, we are all part of the fabric of military life. We take this role seriously and with a great deal of pride in those patriots we serve.

Mr. Chairman and members of the subcommittee, I welcome your questions. And I look forward to working with you in partnership with the Department of Defense, the military services and this great industry that supports us. Thank you very much.

[The prepared statement of Admiral Maguire can be found in the Appendix on page 899.]

Mr. McHUGH. Thank you, Admiral.

Major General Mike Wiedemer, Director of Defense Commissary Agency?

General, thank you for being here. Good to see you.

STATEMENT OF MAJ. GEN. MIKE WIEDEMER, USAF, DIRECTOR, DEFENSE COMMISSARY AGENCY

General WIEDEMER. Mr. Chairman, members of the subcommittee, it is truly my pleasure to appear before you, to provide an update on the Defense Commissary Agency (DeCA).

After nearly eight months as its director, I can report that the foundation upon which DeCA was built is sound and that we are committed to the full intent of Congress, the sale of authorized

products at costs plus five percent. Cost plus five percent is the heart of the commissary benefits.

The dedication to the commissary benefit is deep-seated, but DeCA's commitment to strengthening it and improving it is even greater. The members of our armed services community have not only earned, but also deserve the commissary benefit. And I am particularly pleased to have been chosen to lead the outstanding men and women who administer this vital benefit.

Let me highlight just three of the most significant accomplishments that DeCA's men and women have achieved over the past year.

First, they have achieved the highest level of customer satisfaction in DeCA's history.

Second, they are providing outstanding service to our deployed forces by providing the troops the peace of mind that comes with knowing their loved ones are taken care of back home and by providing deployment centers in a number of our commissaries that offer our troops in the field what they want and need. And finally, by provisioning AAFES and Navy ship stores, sails, outlets in Southwest Asia.

Third and finally, they have achieved compliance with the Chief Financial Officers Act, being one of only three defense agencies having received a clean audit opinion on fiscal year 2002 financial statements. It is truly an honor to lead these dedicated individuals who so ably serve our Nation's servicemembers and their families.

Mr. Chairman, I concur with the assessment you voiced in the March 12th hearing that the military resale system is the foundation of combat readiness. Moreover, I believe the commissary benefit has a significant, positive influence on recruiting, retention and readiness.

At times, many of us have lost sight of DeCA's true mission, that is administering the commissary benefit. Some believe the commissary is only a grocery store. However, I submit the commissary benefit should be characterized as a cornerstone of military compensation. The commissary is a core benefit by and for members of the armed services community, providing consumables and household necessities at cost while preserving a sense of community for the military member, retiree and family member. In my opinion, without the commissary benefit as its cornerstone, the armed services quality of life crumbles.

At the same time, we are ever-mindful that the business of providing a commissary benefit comes with a cost, and that we are charged with the responsibility to manage and control that cost. DeCA continues to improve its cost effectiveness while enhancing its customer service.

In fact, DeCA greatly exceeds the average supermarket performance in the United States for any industry standard used, whether it be labor expense as a percentage of sales, average transaction dollars per customers, sales per employee, sales per selling square foot, or inventory turnover ratio.

And our outstanding customer service was validated by the American Customer Satisfaction Index, or ACSI. The ACSI is an economic indicator that measures customer satisfaction through a

uniform and independent means in 35 industries across the United States.

Earning a rating of 75 from ACSI, the report verifies DeCA's customer service satisfaction rating is slightly higher than the U.S. supermarket industry average.

Now these benchmark comparisons clearly indicate that we are a leader in supermarket business practices and the good stewards of the taxpayer dollar. But our achievements would not be possible without your commitment to the benefit. After all, it is the appropriated fund support that allows this benefit to provide quality American products at cost plus five percent.

I believe those funds are exceptionally well spent, that the commissary benefit is consistently ranked as the top comped pay compensation benefit by members of the armed services, giving a family of four more than \$2,400 per year in additional disposable income.

On behalf of the men and women of the armed services and their families, I thank you for providing this benefit. I look forward to working with the subcommittee to ensure the commissary benefit remains strong and viable for future generations of America's fighting men and women.

And I will be delighted to take any questions you may have.

[The prepared statement of General Wiedemer can be found in the Appendix on page 909.]

Mr. MCHUGH. Thank you, General Wiedemer. I appreciate it.

Michael Downs, next, Director of Personnel and Family Readiness Division. Mr. Downs, thank you.

STATEMENT OF MICHAEL P. DOWNS, DIRECTOR, PERSONNEL AND FAMILY READINESS DIVISION, HEADQUARTERS, U.S. MARINE CORPS

Mr. DOWNS. Mr. Chairman, members of the committee, thank you very much for this opportunity to testify today.

The Marine Corps experienced a very good year in 2002 in our exchanges. Same-source sales were up five percent. Estimated net profit was up \$6 million.

More importantly, we earned a \$34.5 million dividend for the MWR programs of the Marine Corps, which is a 15 percent increase over what we experienced in 2001.

Like AAFES, we are also supporting Marines and others in Operation Iraqi Freedom. In partnership with AAFES, Marines are running five tactical field exchanges in northern Kuwait. One of those exchanges, selling goods desired by the deployed Marines had sales of over \$2 million in about a 30-day period out of tents and backs of trucks.

Needless to say, 2003 will be different. Over 67 percent of the operating forces of the Marine Corps are deployed to Operation Iraqi Freedom. Many of our bases have lost substantial portions of their patron base. Sales of the first two months of this fiscal year are down in an uneven way, across our bases, from five percent to 40 percent.

Fortunately, installation commanders are making the important decisions and taking the important actions necessary to balance

their responsibilities from a business point of view and from a quality-of-life point of view.

They are aided measurably in this duty and responsibility of theirs by, in accordance with our organizational structure, having control over all the elements that are necessary for them to make the hard decisions that will be required to ensure that they are taking care of the Marines deployed; at the same time, looking to the increased needs of families and those left at home.

We continue to implement two major efficiency-enhancing initiatives in our exchanges: implementation of a modern, compatible retail merchandise system and transitioning to centralized buying.

The merchandise system is fully integrated with our finance, electronic point-of-sale and open-to-buy systems. When we complete this initiative early in 2005, our retail system will be in line with modern industry standards, and we will be even more competitive in today's aggressive retail market. We realistically expect our dividends to go up, not down.

Our success is due in no small part to our Marine Corps Community Services (MCCS) organization, which combines all retail, quality-of-life and family programs, to include child care, voluntary education in one holistic organization. As we experience our fifth year of operation under the MCCS concept, this organization continues to prove its appropriateness and its relevancy for the Marine Corps.

MCCS enables the Marine Corps to not only generate revenue and use it more effectively to support programs and capitalization, but also to offer a more robust set of programs and services in support of Marines and their families. These efficiencies are important to our success, and all the more essential during these challenging times for America and its men and women in uniform.

I am prepared to respond to any questions.

[The prepared statement of Mr. Downs can be found in the Appendix on page 917.]

Mr. McHUGH. Thank you very much. We appreciate your comments, Mr. Downs.

And thank you to all the other panelists.

Mr. Secretary, let me start with you. Obviously, the issue of the memorandum—and by the way, I am absolutely shocked anything was leaked in this town. It came as a surprise to me. I am sure it was a surprise to you as well. [Laughter.]

But I appreciated your comments about the efforts to inform us. You made a statement that I heard to be very definitive. But I want to make sure what I heard is what you said.

I mentioned in my statement about the mark the Congress laid down with respect to exchange consolidation. But sometimes what Congress intends is not always what Congress does, and I recognize that.

But assuming there comes the time when you will submit your package and your proposal, do you envision any components of that that perhaps may not need Congressional review and/or direct authorization? Or do you consider the effort to consult with Congress to be all-encompassing?

Just so we are clear on—and you understand many are concerned about a piecemeal approach that perhaps could be done

without direct authorization of the Congress. And that may or may not be the case. So I just wondered if you could better define the department's intents in that regard.

Secretary ABELL. Yes, sir.

The language specifically says—and I am—this is not a direct quote because I am remembering it—but that the department cannot take action and consolidate the exchange systems without the authority being granted by the Congress. So my view is that technically you—Congress only has to give us the authority to do it.

In my perception and my intent is that the way to come seek that is to bring you the entire plan at one time and then put that in front of you. And then the legislative language would probably be fairly simple. But not intended to be a part of legislation, but certainly part of your deliberations, would be the entire plan. Not going to try and do it piecemeal.

Mr. McHUGH. I would appreciate that.

You made comment—and obviously no one recognizes at this point how long this process would take. But you used a rather encompassing statement, which I understand.

Many reports had said two to three years. We had a private discussion that touched upon—no commitments made; I do not mean to suggest that—three to five years. Which do you think—and no one intends to hold you to this, but just for our edification, which do you think the process would tend more towards, the two-year end or the five-year end?

Secretary ABELL. I think the—

Mr. McHUGH. Right in the middle, I bet.

Secretary ABELL. No, no, I understand. Let me give you my best shot at that and then we will—later on we can hold up these words and see how I did.

I would hope that within 24 months of the deputy secretary signing the memo that would charge us to begin this effort, that we would have a plan that—in which all of the stakeholders have participated and that we could bring to you all.

So the 24 months is where my disappointment begins if I do not have that plan. Certainly if we do not have it done in three years, then we will, in my view, have gotten to the point where we cannot—we would have figured out that we cannot do this or we should not do this.

So hopefully at the 24 month mark, we will be able to bring something to you. You all will take a legislative cycle to deliberate about that. I am sure you will have at least one, if not more, hearings about that. And then you would give us the authority, in an ideal world. At that point, then we can begin to take the actual steps, which gets me now into years four and five in, sort of, my view.

So I would think it would take us a couple of years to get ready. You all, a one-year legislative cycle to deal with it and become satisfied and make whatever modifications you might choose. And then we will go implement, ultimately, whatever you approve. Or should you not approve, then we will put this on a shelf in a pretty binder and it will be there for somebody else.

Mr. McHUGH. Okay. I appreciate that.

Again, just so—and this is for the benefit of those in the audience as well as for those of us up here. You have made very clear in both statements previous—prior to today and to your comments today and in your written statement that you want this to be a transparent consultative process. And for what it is worth, I think that is vital.

But whether we are speaking about the services and the folks seated with you here today, or some component, whether it is the resale community or some others, I assume we are not operating like the United Nations Security Council in that nobody has a veto here, and that consultation in and of itself does not mean agreement. Is that a plausible assumption on my part?

Secretary ABELL. Yes, sir. I think the way I understand how things work, at the end of the day, the Department of Defense will make the ultimate decision. But, of course, our intent would be to have accommodated as much of the inputs from all the interested parties as we could.

Mr. McHUGH. Okay.

Which would bring me particularly to Mr. Downs because the record there is a little bit more evident and others here at your table may find that to be the case as they go through this. But I do not believe any of the other commanders have expressed concerns. Because as I understand it, Mr. Downs, the Commandant of the Marine Corps did ask the Secretary of the Navy to register objections to this plan.

Mr. DOWNS. That is correct, sir.

Mr. McHUGH. Well, then let me—and I do not know, frankly, sitting here now, if the secretary actually registered that or if it was just a consultation, verbal. If you want to comment on that, that is fine. But really, what I would ask you, sir, as you look down the road conceptually, can you see a way in which the proposed consolidation might be configured in a way that would work for the Marine Corps?

You heard the secretary's, I think, very important statement about sailors, Marines, going to one; the Army, Air Force, others; of course, the Navy, going to their ship's stores, et cetera. And I do think that is important. But do you think that concept, vis-à-vis the Marine Corps, could be realized?

Mr. DOWNS. I, frankly, do not. The Marine Corps made a transformational reorganization decision, beginning in 1988, to combine exchanges and MWR into one organization. We furthered that thought process in 1999 by then including family services.

We gained great efficiencies because of a single overhead structure over all those elements of our program, and we get synergistic effects that we would not receive or would not get otherwise. A consolidated exchange would require us to dismantle and to lose the very efficiencies that we worked hard to gain.

The Marine Corps Exchange has a dividend-to-sales ratio and a profit-to-sales ratio in 2002 that is two points better than our second place. Our dividend of \$34.5 million would be reduced by 38 percent, or \$13.2 million, if we were to go to the second of the dividend-to-sales ratio that was experienced in 2002.

At the same time, it would break up the efficiencies that not only have been earned or realized with the exchange system, but equal-

ly on the MWR side. So, while MWR is losing \$13.2 million as a minimum—that is a conservative figure—in dividends, their costs of running their organization or running our MWR programs would substantially increase.

I do not know how you can marry these two.

Mr. McHUGH. I appreciate your very early and very open comments and on that.

I did see the other commanders. I would open up the floor, if you would want to comment on, not, obviously—unless you care to—Mr. Downs' comments, but as it may apply to your concerns that you have, perhaps not insurmountable—but concerns you have vis-a-vis possible consolidation; the kinds of things you would want the secretary to be looking at, the kinds of things you would want us to be keeping an eye out for as well. Anything?

Admiral?

Admiral MAGUIRE. Ah, yes, sir.

When I look at consolidation, this will be a merger. And if you look at the private sector on mergers, it requires meticulous planning, detailed execution, and it requires a compelling business reason to do the merger.

A strong business case will need to be made for this. I feel that when you look at the PriceWaterhouse Coopers study, the due diligence—that was a study done six years ago—over the last two years, we have been working extensively with the exchanges in a cooperative effort—engagement, and have achieved savings through that group that would accomplish approximately 80 percent of the savings identified in the PriceWaterhouse Cooper back room consolidation.

I think we have to make sure that when we do the study, that we have equal-to or better-than prices, that we have equal-to or better-than MWR contributions, and that we have an organization and a unified command that is responsive and agile and understand the culture of the Navy, Marine Corps, Air Force and Army.

I also think in the information technology (IT) expense arena, that we are very proud of the Navy Exchange Command moving out on, as I put in my written testimony, a number one retailing, open architecture system that will continue our movement towards best business practices. And then when you look at the savings that we are showing in the out years and the potential increases in MWR, we want to make sure that we stay on that path when it comes time to wrestle and tackle the issues of a common IT platform.

And then I think governance will be an issue that we have to look at. I have 16,000 associates, like I am sure the other exchange commanders, that are laser focused. They lean forward. We have been very aggressive in our best business practices, in pursuing best business practices.

And I want to make sure there is a role for them in the unified exchange command as well as the issues of having governance that takes into account that we do support that unique store front, in our case, that Navy family store and respects the culture that is associated with each of our services.

Mr. McHUGH. Thank you very much, Admiral.

Either of the other commanders? General Frost?

General FROST. Well, Mr. Chairman, I am not opposed to integration or consolidation. There is something intuitive that tells me the business case can be made. And as the commander of the Army and Air Force Exchange Service, I believe that consolidation can work.

Mr. McHUGH. General, I apologize for interrupting. Could we perhaps move that mike a little closer? Too much rock and roll when I was young. Thank you.

General FROST. Yes, sir. As the Commander of the Army and Air Force Exchange Service, I know consolidation can work. Whether or not it will work does depend in fact on how we plan it and how we implement it. It has to be a very collaborative effort. It cannot be done in the back room.

We all have to have our cards on the table, and we have to work together to make that happen. And hopefully as we work through this, as Admiral Maguire said, we will work to enhance the benefit. I also hope we can work to preserve the promise that we have made to our career associates at AAFES so that they are not at risk for losing pension, losing health care, losing those kinds of things.

And also, I hope that we will work in such a way that AAFES will not bear a huge burden of the costs associated with any systems that need to be developed to integrate any planning that needs to be done to bring this about, that that would be funded by the department as we work toward integration. I do not want soldiers and airmen to have to pay that bill.

Mr. McHUGH. Thank you very much.

The two remaining, General Zettler, General Wiedemer?

General WIEDEMER. About a decade ago, the Defense Commissary Agency went through a consolidation process associated with the service commissaries. There are lessons learned there. And we would be more than willing to share those.

Mr. DOWNS. If I may, Mr. Chairman, —

Mr. McHUGH. Mr. Downs.

Mr. DOWNS [continuing]. The DeCA example was put up. Admiral Maguire mentioned a need for having a compelling reason. I could understand the compelling reason to make the DeCA. There was substantial appropriated fund dollars to be saved. There are no appropriated fund dollars to be saved in the consolidation of the exchanges. And in my view, the exchange systems are not broken.

Additionally, consolidating this exchange operation, roughly \$9 billion a year and substantially more complex operation than was DeCA, it is also useful to remember the DeCA consolidation was not easy, and it was not invisible to the patron. I walked with the original DeCA commander through the commissary in Camp Lejeune, North Carolina as we saw shelves at about the two thirds stockage level, also introduced him to IT people that were in the store that did not need to be in the store when the Marine Corps ran it because our commissary management information system allowed us to do some things centrally.

The DeCA example and bill paying troubles that existed, DeCA spent 75 to \$100 million trying to come up with an IT system that would work for the DECAs that is not yet in place. That first one was scuttled. So to suggest that the DeCA consolidation which has

now gone on for over 10 years was a smooth undertaking, it is at high risk. But at least the costs associated with it were appropriated fund costs. The costs that are going to be associated with an exchange integration are going to be borne by Marines and families of Marines in reduced dividends and in other ways.

Mr. MCHUGH. Thank you. Just for the record, I do not believe I heard General Wiedemer say that he supported it, just they learned some lessons that maybe would be helpful. You can learn good and bad lessons. But I again, appreciate your candor. Well, maybe. I wanted to give General Zettler a chance because he has not—and I am not forcing you, sir. What the heck.

General ZETTLER. Sir, I had the experience and the honor to serve as the AAFES chairman for two and a half years. And my term ended last October. I think I agree with each of my colleagues here. This is a very difficult march that we have been put on.

When I sat there as the Chairman of the Board of AAFES, I always struggled with how do we reduce our costs. And I think there is an opportunity to continue the benefit for our soldiers, sailors, airmen and Marines and reduce the costs. We do not need three distribution systems. We do not need three IT systems. We do not need three stacks of overhead. We can continue to provide a great benefit, reduce the costs and maintain the benefit.

Each of the exchange systems' forecasts over the next few years are dividends going down. When Mr. Abell outlined a plan that will not solve the near term. But we have to face that in the long term. And we have to address our business costs. This is one way to do that. It may not be the only way.

It will be a difficult way, and with the plan that the department is putting forward to go through this in a methodical way and allow the services to participate. And we shall allow it to proceed and see what some of the better minds that we have, to include these four officers at the table here, can put on the table to make it go forward.

Mr. MCHUGH. Thank you very much.

Mr. Secretary, in fairness, my colleagues have been very patient here. I have taken a lot of the time, and I apologize. But I think this is an important issue.

But in fairness, if you would like to say anything in closing out on this particular round,—

Secretary ABELL. I would like to agree with most of what I have heard my colleagues say. It is not easy, or we would have already done it. It does take a good business case. And if we do not have it, we will not proceed. The Marine Corps presents a unique challenge to this effort because of their integration. Mr. Downs talked that they integrated and gained efficiencies and synergies.

That is what we are seeking here are efficiencies and synergies as well. Admiral Maguire talked about the uniqueness of the Naval Exchange System. And they do have ship stores which are unique to them and certainly look to protect that and preserve that part of the benefit as well.

I also agree that it is not going to be easy. And I also agree that we can learn some lessons perhaps from the commissary integration effort. Army and Air Force consolidated years ago. DeCA consolidated ten years ago. Five years ago, the Marine Corps consoli-

dated. Those are three models that we can look at to see how we learn to do this better and not make the same mistakes they did, hopefully, come up with the plans that will be more efficient.

But what I pledge to you is it will be an open effort. Back to my original comments, the beneficiaries will be involved, the industry reps will be involved, all of these folks will be involved. As you know, the department has oodles of auditors, and they will come check our numbers for us. And then we will give them to you. So I am confident that we can do this, but I am also confident that there is a lot of hard work ahead.

Mr. McHUGH. Thank you very much.

And to you all, I appreciate your comments.

And again, thank you to my colleagues for your patience.

Mr. Meehan.

Mr. MEEHAN. Thank you, Mr. Chairman.

Mr. Secretary, Admiral Maguire has referred to the most recent due diligence study performed by PriceWaterhouse Cooper. There have, in fact, been numerous studies conducted over the last three decades all aimed at determining whether the service exchange function should be consolidated into a single entity.

And it seems that none of these studies have produced compelling evidence that would show a measurable increase in the value of consolidated services.

What has been the level of the savings accrued over the last three years as a result of the implementation of the mutually agreed cooperative efforts and best business practices?

Secretary ABELL. I think the fair answer to that, sir, is that I do not know. I would have to get you that. We have heard some numbers bantered around here today. I cannot talk to the fidelity of any of those. I am not sure that there has been an audit done with the level of specificity that would produce a number upon which we could all agree.

Mr. MEEHAN. How much more savings are potentially available through further integration and consolidation of the exchanges?

Secretary ABELL. I am not sure. We have not proceeded forward. We do not even have the charter from the deputy to do that. And again, perhaps we are using the term savings here. But I want to make sure we are at least in sync on the definition.

I am not looking to save money here. I am looking to preserve or enhance the MWR dividend that the exchanges provide to our bases, installations kept. So that is declining, that is a fact, over time. I want to arrest that decline and perhaps built it back.

I share the tenets that Admiral Maguire has stated here that we are not going to do it by raising prices. And that would be silly in light of the competition on the outside. So I do not have a number for you. That will be part of our effort to develop that number.

Mr. MEEHAN. Thank you. General Zettler, in the previous hearing, I stated my concern about the need for unrestricted access to the commissary by reservists or reserve component personnel.

They are aware of the current policies, but believe that the changing nature of the use of the reserve component seems to me in the sense that they are supporting ongoing military operations have changed some of the assumptions that underlie policies that are in effect.

What are your views regarding a change in the commissary policies to allow unrestricted access for the reserve component personnel?

General ZETTLER. Well, Mr. Congressman, I agree with you. We certainly have changed the way the national guard forces and the reserve forces are used. They are so vital to our current mission. And in our Air Force, they have been that way for many years. So to cut to the bottom line, I think that where we have commissaries, they should be open to access for the reserve component members all the time.

Mr. MEEHAN. Thank you, General. No further questions. Thank you.

Mr. MCHUGH. The gentleman from Virginia, Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman. Let me first say I want to associate myself with the comments of the chairman and ranking member. I agree with everything they said in their opening statements. So I will not repeat that.

There is probably no one in Congress more passionate about this issue than Ed Schrock. And the reason he is, the reason I am is because for 39 years I have been privileged to use this benefit that was promised to me when I joined the Navy. And it is one that I want to see protected, not only for the active duty men and women and their families, but for the retired community as well.

People have not mentioned the retired community, but they are a huge part of this as well. And they are used to it. They like it. It has served them well. It is not broken as far as I can see. I have always been—and I am quoting here. I do not usually use this kind of language. “If it ain’t broke, do not fix it.” And I do not feel it is.

But I do believe, however, that Mr. Rumsfeld’s philosophy about transformation is very important. Clearly, the military, the Department of Defense, needs to be transformed in many, many ways. And I can see that. And I respect you for doing that.

But I think when you pick a benefit like this that is probably not considered a core competency, I do consider it a core competency. I think the stronger your exchange, the commissary benefit is, and the MWR programs, you know, that is going to keep the young men and women in uniform in. And I can assure you if mom and the kids are not happy, dad is not going to hang around very long. And this is one of the key benefits that they have that I think they appreciate. And to try to erode it, I think, only undermines the recruiting efforts that the services have undertaken and of course, their retention as well.

You recruit a sailor—I was a sailor. You recruit a sailor, you retain my family. And I think we cannot overlook that. And I think there have to be, as Mr. Downs said, there has to be compelling reasons for doing this. I guess I am, at this age, I am a hard head. And I have to understand really strong, compelling reasons for doing this and, I think, eroding a benefit.

I guess my devious mind thinks that a consolidation of this nature would be the first step in eventually trying to privatize the commissaries and the exchanges, which means they are going to go away. No commercial, no private business in their right mind would take on this task. They might for two years. But afterwards,

they are going to say, we cannot handle this anymore because the commissaries and exchanges have to be profitable in the continental United States to make up for those that they have overseas which are loss leaders. But you have to have them there because that is a benefit those people deserve and must have as well. So that is what I worry about that this is just the first step in that.

And I know that there has been a lot of talk in the Pentagon about privatization. And I agree with some of it. Housing, I think you can privatize. I do not like to go on the Navy base and see sailors cutting grass. I do not think they have to do that. And there are some other administrative things that probably do not have to be performed by uniformed people.

But I think when we start messing with the commissary and exchange privilege, boy that is a hornet's nest I do not want to get into. I probably represent more active duty military and retired than 385 members of the House combined. And take my word for it, I have got to go home every weekend. And I want to make darn sure that we are protecting their right up here.

I agree with General Zettler. There is overhead. But I think in any consolidation, if there is a consolidation, there is going to be overhead in the exchanges anyhow. I cannot imagine they are going to be closing down a lot of the exchanges with the consolidation, or I hope not anyhow.

And I do not understand, either, whose system will be used. I know there are three systems, the Marine Corps, the Navy and AAFES. I guess I do not have a clear picture yet whose system will be used, if it will be one of the three systems or if it will be a new system that is developed.

And clearly, Admiral Maguire made a point. The Navy's kind of unique because of the ships. You have got to have the ships' stores. And those are mini exchanges that you have on each of those ships. And I would certainly hate to see that eroded. And I was privileged to sit next to General Frost last week. And she was talking about one of the exchanges. Was it in Afghanistan? Actually it was in Kuwait, I guess. And there was like a two hour wait to get in because that was a little piece of home that those people had that you can find nowhere else. In Kabul, an exchange burned down. Forty-eight hours later, it was up and running again. I am not sure if we consolidate and then privatize commercial—is going to be willing to take that on.

And clearly, the bottom line is the bottom line. But in my head and my heart, the bottom line is the men and women in uniform and the families with them. That is the bottom line as far as I am concerned. If we do not take care of our people, that does not send a very clear message to anybody in this country, in this world. And if we do not do that, and if we do not do it well, then we are going to be in rough time.

And of course, I have seen all the studies. And nothing in the studies that I had seen, unless there are studies that have not been presented to me, do not really show a compelling argument for doing this. I just think there are so many other areas in DOD.

For instance, child care is a travesty, I think. It especially is in the district I represent. We need to be focusing on child care. That is broken. That is clearly broken. We have one child care facility

that sits flooded half the time. I do not see that happening in the commissaries and exchanges.

I am certainly willing to listen and understand and see any reports that come down. But I am really going to take a hard, hard look at this. I am just wondering if the service exchange systems had any input into the decision that is coming out of the Defense Department.

And I would be curious if, Mr. Downs, you would be willing to comment on that. If you were asked for your advice on this, and Admiral Maguire and General Frost.

Mr. DOWNS. No, sir. I was not. The last conversation that I was involved in was in May of 2002 when the three exchange chiefs at the time, Admiral Moss, General Wax and I met with Mr. Abell and Mr. Molino. And at that time, there was a universal view of three exchange chiefs that no case had been made for consolidation. And when we left that meeting, there was some discussion as to the possibility of a further study. Maybe that is where we are today.

Studies are also bothersome to me because we have been studying this for 35 years. And we have, with our overhead supporting three entities, were busy. And we do not have time to have the first team stop doing what they are doing, the important things that they are doing while they are involved in further studies and meetings and discussions on what an affect is a move to do away with you.

We are pressing forward with modernization. We would be where we expect to be in 2005 some years ago if we had not held things in abeyance because of the threat of integration that was going on in the 1990s.

And the last group that is troubled by this is our employees. They have been living under clouds of various darkness for too long. And they deserve to have a period of time where they are not threatened with the loss of the job and the business that they have been involved in for many years. But no, this new initiative was a surprise to me.

Mr. SCHROCK. It seems like this was an easy target. It has been that way ever since I came in the Navy and since. I know that has been an easy target when they try to find funding and when they want to cut, this seems to be the place to cut. And I certainly do not agree with it. General?

Admiral MAGUIRE. Yes, sir. I have had no involvement in the current initiative. I have been engaged in the cooperative effort initiatives that we have been working with the fellow exchange commanders.

Mr. SCHROCK. I think in DOD's defense—and I talked to Mr. Molino and Secretary Abell about this earlier. They did not have a very auspicious rollout because somebody shot their mouth off and released it. And of course, unfortunately in government, that happens once in a while, but we have to deal with that. So there were probably things they wanted to do that they did not get done. And that is unfortunate.

General Zettler.

General ZETTLER. Sir, I completely understand your point about taking care of the troops and the bottom line. The bottom line is

taking care of the troops. I think with the recognition that Mr. Downs has a significantly different situation than the rest of us as we approach the bottom line, that bottom line has to be translated into the dividends that come back to the services to provide for MWR support.

This AAFES dividend is our single largest source of revenue to upgrade our facilities, provide equipment in some of the facilities, take care of people on our installations. So it is the projected line that says we are going to lose some of that because of revenue, because of changes, because of competition outside the gate. I think we need to be fully attuned to that and work our way through it.

So the Air Force is understanding what Mr. Abell and his team is trying to do here. And we want to be able to work with them to find opportunities to maximize benefit for the people.

We have worked very well to get some 50 plus areas that are being done in a common way. We need to continue that. But there may be more. And Mr. Abell has had to take this on in a tough way. So that is where we are going to, from an Air Force standpoint, go forward and support it. And I endorse that.

General FROST. I think your question was did we know in advance. We did not know at all in advance. I learned it from the Navy. But we plan to be significantly engaged as we move forward in discussing the how, the why.

Mr. SCHROCK. Let me just say, Mr. Chairman, you know, I intend to watch this real carefully and follow through because it is so incredibly important. And I am probably more passionate than most because of my military background.

And I think it is something we need to look at just to make sure we are not eroding this benefit. Because if this benefit goes away, God knows what will go next. And I just think there are so many other areas within the Department of Defense that could be looked at for improvement.

When you have some that are working like these are, I am just having a rough time coming to grips with that. And I want to make sure I have access to you at any time I hear things, we can discuss things, that we follow this thing through in a rational way.

Mr. MCHUGH. Anytime. Well, I do not—Mr. Schrock, let me assure you, and I know I speak for every other panel member here, I should say subcommittee and full committee member here that we share your passion. And I commit to you we will try to do everything that is required of us to maintain our oversight. And I feel confident that secretary will make every effort to keep us informed.

Mr. SCHROCK. I agree.

Mr. MCHUGH. So, I appreciate that.

We have, as you have heard—I do not think we can go to the next panel because it would not be fair to the member or to the panelists—two votes. If I could impose upon our distinguished panel to stay with us a bit longer while we make those votes. And I promise we will get back as soon as we can. So we will stand in recess until return.

[Recess.]

Mr. MCHUGH. Thank you for your patience. As usual in Congress, something could go wrong, and it did. We had an extra vote

that was not originally scheduled. And I apologize for the added delay.

So without any further delay, let me yield to the gentleman from Tennessee, Mr. Cooper.

Mr. COOPER. Thank you, Mr. Chairman. I too, would like to honor my mother, mainly because my opponents claim that I had no father.

I have a very distinguished retired military person in my district. He claims that there are two things I should not mess with: his wife, and his PX privileges and not necessarily in that order. So I realize the importance of this topic.

One thing that particularly intrigued me, you talked about we all want our troops to get in and out of Iraq safely. And the fact that we already have 16 PXs in Kuwait amazed me. How does that work? Do you follow within a week of the troops or two weeks? And do you stage in a safe place using regular military forces or volunteers? And you just set up shop as close to the front lines as you can?

General FROST. Congressman Cooper, we basically plan far in advance with the combatant commander of what the requirements are going to be when they move into a contingency operation. When we get the word from the combatant commander, we will move our people forward. Now our people are not military.

AAFES personnel who are providing this benefit, the 275 that are in Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) now, the 300 that will be there by the end of the week are all AAFES civilian associates. Up until this week, every one of them has been a volunteer. We have now, because of future requirements that we understand are going to happen in Iraq, we have gone out and asked people to go who have not volunteered. And they are moving out smartly to go into the theater to provide that service to our troops.

They do a magnificent job. They live right beside the troops they serve. If they are in Kandahar, they are in the tent that burned to the ground and were up and operating, as Congressman Schrock said, 48 hours later.

If they are in Kuwait, they are living in tents out at Camp Udairi where they run the store there, at Camp Pennsylvania where they run the store there, out in the desert where as far as you can see there is only sand. They are real heroes for us. And they are finding this to be the single most rewarding experience that they have had in their entire career at AAFES.

Mr. COOPER. You said up until a week ago. And then you said something like you asked those to go who had not volunteered. That sounds like you drafted them to go.

General FROST. Well, we encouraged them forcefully to go.

Mr. COOPER. That is part of the military euphemism.

General FROST. And these are at the more senior levels of management that we believe we will need as we move into a more complex operating environment.

Mr. COOPER. Is this coercive diplomacy you are talking about? How much does this cost? How does this work, you know, the business? Because it is fascinating to me, business following the military so closely, in fact, intermingling.

General FROST. Well, it costs AAFES a lot of money. Last year, the support we provided in 2002 cost AAFES \$14 million. We expect significantly higher costs this year. We are projecting \$50 million. Most of that in terms of the pay for the personnel that go, some of it to do with shrink that is anticipated by inventory that perishes and so forth.

But we are working very close with the Office of the Secretary of Defense (OSD) to—AAFES will fund now. And we hope that when we tally up at the end that that money which is truly soldiers' and airmen's money will come back to AAFES as a supplemental to us to pay for that cost of war.

Mr. COOPER. But right now, the \$14 million or \$50 million is coming out of the MWR basically? Because it would deplete your—

General FROST. Well, \$14 million last year we did not get reimbursement for. But we are working closely with OSD this year to report out what we have had to fund out of AAFES to go forward.

Mr. COOPER. But since the profits go to MWR, then there will be less profit. So effectively when you have to spend money for things like this, that depletes MWR.

General FROST. That is true. But I would say two things to that. First of all, in many ways, AAFES is the quality of life to those servicemembers in OEF and OIF. That is a cost that we are proud to shoulder.

But it is also a cost that we hope we can get reimbursed so that soldiers and airmen are not paying for their quality of life by a reduction in the dividend. So that is why we are going to work very closely with OSD to get reimbursement for our costs.

Mr. COOPER. Yes. So that would be \$50 million or whatever the real costs.

General FROST. Yes. Whatever the real cost is. We are not looking to make money on this. But we would like to have our costs reimbursed.

Mr. COOPER. Yes. Because no other business in the world could do this to follow in so closely in harm's way. In fact, I wonder about the sanity of some of your employees, either volunteers or coerced.

General FROST. Again, their stories are heartwarming because they see firsthand why the benefit is so very important.

Mr. COOPER. I thank the chair.

Mr. MCHUGH. I thank the gentleman.

Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman.

And Mr. Cooper, you may be interested in knowing that in August of 1999, General Frost and I hiked up, walked up in the heat of summer in the desert of Israel the mountain that is known as Masada, where this very famous battle occurred in which some Jewish defenders held off for months and months an overwhelming Roman force. And they were finally defeated because the Romans went up the mountain just by building it, just moved massive amounts of dirt until they had a ramp.

And the night before they were scheduled to overthrow it, overrun it, two things occurred. Number one, the Jewish defenders all laid down, and they killed each other not to give the Romans the pleasure of doing it. And the second thing is they laid out food and

water to show the Romans they had plenty of supplies. And General Frost took an early interest in this issue of logistics and the food and water. And I can tell you that heat was something going up that mountain.

But let's see. I wanted to ask Secretary Abell a couple of questions if I might. And while I have been on the personnel subcommittee, this particular topic is new to this Total Force Subcommittee for me. And so I wanted to ask, I think, what is a basic question here:

But this business of saving money—and on page ten of your written statement you say although agreement has been reached on a long-term vision, there is no implementation plan to achieve common business philosophy and best business practices in support of core merchandising distribution and financial operational functions.

I am increasingly concerned that our military members are being short changed as a result of these—and used the word boundaries. Would you give a couple examples, even though they may be examples, specific examples of where you can trace through for me where you see a specific inefficiency or problem and trace through how you think it could be changed in such a way that our military members would not be short changed?

Secretary ABELL. I would be happy to, sir. Let me give you a couple. I think, as you have heard today, running one IT system realizes efficiencies there. At the end of the day, we will need one chief financial officer and not three. We would need one human resources (HR) officer, not three. To more substantive things, I do not need an AAFES truck, a Navy truck and a Marine truck running up and down 95 carrying goods when I could have one truck stopping at a Marine base and then a Navy base and then an Army or Air Force base buyers.

We have three groups of buyers today. If we have a common IT system that signals from the cash register back through to the ordering people, one set of buyers, not all in one place, but one set of buyers could certainly buy for the unified exchange. Those are the kinds of things that I am looking at.

Dr. SNYDER. Well, I guess this is kind of the bottom line. I mean, the underlying premise is that bigger is better from your view?

Secretary ABELL. No, sir. Better is better.

Dr. SNYDER. But I mean,—

Secretary ABELL. More efficient.

Dr. SNYDER. More efficiency is better.

Secretary ABELL. Exactly.

Dr. SNYDER. But as you describe it, what you are saying to me is that bigger is better. And it does not always work out that way. I mean, I can give you an example in Arkansas right now where we put in an IT system trying to link up all government. And it is just the monsters that are eating the state budget because of its problems.

To this point, in my view and the view of a lot of people, it does not automatically follow that taking some independent IT systems that were functioning reasonably well and deciding to put in a whole new IT system throughout the agencies has not generated

the efficiencies yet. I mean, it is not automatic. In my view, bigger is not always better. But I can understand what you are describing.

Secretary ABELL. Sir, as part of this several year process, we will bring that back to you.

Dr. SNYDER. Yes, I understand.

Secretary ABELL. And if the numbers do not add up, then first of all, we will not make that recommendation.

Dr. SNYDER. Yes.

Secretary ABELL. But second of all, you will not approve it.

Dr. SNYDER. And I assume that underlying your statement here is that certain functions can be merged, and others do not have to be merged. Is that a fair statement of this whole analysis that you are going to be going through?

Secretary ABELL. Yes, sir.

Dr. SNYDER. Yes. Are you familiar with this—I will just hold up this. Who put it out here? The Defense Manpower Data Center, this survey of the quality of life and family programs. How satisfied are you with each of the following? And the exchanges and commissaries get the 67 percent satisfied rating.

Secretary ABELL. Yes, sir.

Dr. SNYDER. Is that something that you are familiar with?

Secretary ABELL. Yes, sir.

Dr. SNYDER. What I wanted to ask was I understand that—am I correct that child care activities—I am following up on the same line that Mr. Schrock was pursuing. I was really struck by, in my view, very poor child care numbers in contrast to the 67 percent satisfaction rating, or I am satisfied rating of exchanges and commissaries. On base child care, which I assume is both centers and with families, gets less than one out of four, 23 percent.

And one out of three military families are expressing dissatisfaction with their on base child care. Now to me that means right now that one out of three of the parents that are serving overseas right now whose kids are in on base child care, one of the things they are concerned about is that the child care that their kids have now with a one parent family that they are not satisfied with.

And the other thing I do not understand is 44 percent do not express an opinion, which to me is the same as not being satisfied, that I would expect to be able to go to a parent, and I would hope that one of the things we could do in the military is that we could at least get a parent the quality would be so good they could say yes, I am satisfied with it. I do not know what it means when almost half do not express satisfaction or whether it is satisfactory or unsatisfactory.

And the only reason I mention this is because well, I know more about child care than I do about exchanges and commissaries.

But in terms of prioritizing energy and all, I would assume that this is also—we are having this hearing obviously today on this exchanges and commissaries. But this to me seems to be going along with Mr. Schrock, his philosophy of “if it ain’t broke, do not fix it,” does not mean you still cannot improve it and make it better and more efficient.

But when you have got one out of three military families who have got a kid in child care on base saying I am not satisfied with

it, I think that is a big time problem. But do you have any comments about that?

Secretary ABELL. Absolutely. I think if you drill down through those numbers what you will find is that they are not expressing dissatisfaction with the quality of the child care. They are expressing dissatisfaction with the amount that we have.

We do not meet the need, do not even come close to meeting the need. And some military members will express loudly their dissatisfaction with the rates that they have to pay. They are based on the base pay of the individuals.

And two military couples, it is their combined base pay so that it gets calculated against by one military member, one non-military member family, it is based on the military member's base pay. So those who are dual military couples object to that thinking that they have to pay pro rata more than their colleagues.

I think what you see there are those two things. I do not know of any objections, certainly not in those numbers, to the quality of our care. I think the military in particular, thanks to this committee and the Child Care Act of 1986, has probably a world class child care system. We just do not have enough, and we are working on that. And we do have these fees that our folks have to pay that they wish were less.

In fairness, I need to point out that the fees on base are augmented by MWR money, which ultimately comes from the exchanges, so they are subsidized fees. And they are significantly lower than they are at off base child care facilities.

But that is not a comparison that our servicemembers want to make. And they should not have to. But they do believe they are paying too much for child care.

Dr. SNYDER. May I ask just a question for the record, please, if you would provide to the staff and to me? I would like you to provide to the committee your survey that goes in, as you say, drilled down through,—

Secretary ABELL. Right.

Dr. SNYDER [continuing]. That fleshes out those distinctions. Because as I read this, it says percent of applicable servicemembers.

And I would assume that is people who actually have a kid in the child care on the base, which I would think, would take out those who are expressing concern about the availability. But it could be they have got one kid in, and they are struggling to get the other kid in or something.

Secretary ABELL. That happens.

Dr. SNYDER. But if you could provide yours, I would be interested in seeing yours.

Secretary ABELL. We will get you all the details.

Dr. SNYDER. Yes. Yes.

Secretary ABELL. And we will cover all those angles.

Dr. SNYDER. Yes, that would be great.

Thank you, Mr. Chairman.

[The information referred to can be found in the Appendix beginning on page 1043.]

Mr. MCHUGH. Thank the gentleman.

As I mentioned in my opening comments, there is a Secretary of Defense briefing at 4 p.m. And we want to give members the time

to get over there and settled so that we are not disrupting the secretary's presentation. So we have got about 15 more minutes.

So let me probe at least one other issue. As I know those of you on the commissary end of it are aware, and perhaps you all are, there are restrictions on the outright privatization of the commissaries, as there are restrictions on consolidation of the exchanges.

But again, hearing the concerns of some, and based on the inevitable rumor mill, and looking at the increased pressures upon the commissaries to lessen their dependence on appropriated funding, I think there is reason for many to be concerned about not a wholesale privatization through Congress per say, but a trend to perhaps increase pressure to require bits and pieces being privatized through subcontracting and such. And regardless of the means, the end at some point becomes the same. And I for one am concerned about that.

If you compare that possible initiative and the fact that DeCA has about \$10 million still in limbo with respect to your shortfalls of this current year and how that might be covered, I was wondering—and starting with General Wiedemer, pardon me, sir. If you could give the panel members a perspective on what concerns you might have about piece meal subcontracting privatization. Is that a real concern?

Are you feeling pressure to find appropriate fund savings that may force you to consider that kind of initiative or just a general overview of how you see that issue?

General WIEDEMER. Yes, Mr. Chairman. We believe that the A-76 process was not really designed to deal with providing military non-pay compensation through a retail business. And in that process, it does in fact lead to piece meal privatization of functions. And that piece meal outsourcing leads to loss of control over individual cost centers. It also leads to increased costs to administer multiple contracts. And finally, we believe it is inconsistent with developing a cohesive work force.

What I would like is the opportunity to develop an appropriate fund work force model that was consistent with the Department's efforts to revamp its personnel system. And then I believe we would have a retail oriented work force that would be able to compete favorably under any competitive process.

You also mentioned our \$10 million shortfall. And I believe that, you know, we are working very well with the Department and the Commissary Operating Board right now to resolve that \$10 million shortfall this year. It is going to be tough to contend with because we have had some unanticipated costs.

For example, the west coast dock strike, transportation support to, currently, the Middle East. We had a super typhoon that damaged our facilities in Guam. We have had fluctuating currency exchange rates that are affecting us. And of course, we had to cover the one percent civilian pay raise.

But we will work hard with the department and the Commissary Operating Board to fix that \$10 million shortfall this year.

Mr. McHUGH. Is my understanding, correct, that there was at least a verbal agreement or indication that when that \$10 million shortfall became evident, you have got limited choices in that time

frame? And one of the choices you had was perhaps to reduce store hours, to do those kinds of things that are certainly indicative of less quality of service to your patrons. But that the Department, or I should say the services at least said well, "continue your funding, and we will try to make your whole." Or is that an overly optimistic reading of how this might be resolved?

General WIEDEMER. Mr. Chairman, I think there are pieces of—in there. Let me summarize a little bit. We immediately when we heard about the \$10 million shortfall that would befall us this year, we immediately took action to put in a hiring freeze above the store level. And we also took a look at what could be done to cover those costs which we thought we could either have an operating loss this year or look at the possibility of reducing store hours.

When we brought those proposals, those options forward to the Commissary Operating Board, there were a considerable number of commanders in the field who expressed interest in having more commissary operating hours to be available to the troops who are being deployed, augmented or those troops that are being left behind and family members who actually needed a greater number of store hours in order to get to them because now they might be working 12 hour shifts, or they might have moved to another location. A whole bunch of reasons for requiring greater store hours.

And the Commissary Operating Board thought that the best option was to not reduce store hours, but to run at a loss. And if a loss was actually incurred, that they would fund it next year. And so we have not had the loss yet, but we will see what will happen. Now we need to continue to work with both the board and the Department to figure this one out.

Mr. McHUGH. Well, I appreciate that. I certainly think the board made the right decision. I am not criticizing that. But I do get concerned about this appropriated fund savings pressure. But before I get to the secretary for his perspective, General Zettler, do you have any comments on this, either from the \$10 million or from the appropriated fund search and potential cuts in general?

General ZETTLER. My comment would be that we really went through a great deliberation. And Mr. Abell and his staff worked it with the comptroller at length to try to ameliorate that \$10 million. But in the end, across the department, we were given that. And we are going to look at the best way to handle it.

And General Wiedemer has outlined how we approached that. But at the time, it seemed to the board that we were talking about from 1.5 to \$4 million per service that we did not want to put that reduction on the backs of the troops as they were mobilized and their families remained behind.

And we wanted the commissaries to remain open with the hours that they had. We put restrictions on you cannot open up for more hours, but let's keep going at the right way here. And we will address that in our budget deliberations in the fall when we parcel out next year's operations and maintenance (O&M) adjustments.

Mr. McHUGH. Well, Mr. Secretary, I would appreciate your comments on that. And let me just make an editorial statement. And I understand the budgetary pressures across the board, and they are tremendous, particularly given the realities of what is happening in this world.

But I do think at least my, perhaps not at informed as it should be and casual observation, that DeCA's done a pretty darn good job at tightening its economies and its efficiencies about as far as they can go, as they say in Oklahoma. So, any perspective on this, why we keep trying to squeeze more out of DeCA?

Secretary ABELL. Mr. Chairman, I think it has been fair and accurately characterized by both General Wiedemer and General Zettler. The why is that budget pressures. I mean, this was part of the normal budget building process that the Department goes through.

And when this came down, as General Zettler said, we pushed back with Dr. Chu and my level, with the comptroller expressing our concerns about the impact of this cut or the potential impact of such a cut. At the end of the day, there was a budget decision. And we all are aware of what that is.

So now we are, I would hope, partners. I would see us as partners in working through the solutions here. We are not looking again to do anything that hurts that benefit. But it is a cut that was part of which was appropriated across the many activities of the Department.

Mr. MCHUGH. Yes. Well, it all comes down to money. I understand. And it is a tough challenge. And I appreciate your efforts to try to resolve it as painlessly as possible.

But any questions?

Well, let me, to the commanders and Mr. Secretary, thank you all for being here. I have a number of other questions, but I do not think we can get through even one of them before we would have to leave.

I am definitely going to submit to you some questions on your perspectives on ace or on flexible pricing, store brands, et cetera, et cetera, that are perhaps not new, but remain relevant and of concern to us. So you have all been very supportive and cooperative in your efforts to respond to those in the past. And we would appreciate that in the days ahead.

And let me just close. Everybody has talked about the importance of this. And I think everyone on this panel understands that. But I remember going into K2 in Uzbekistan, where I visited the 10th Mountain Division that David O'B Martin had a little bit to do with their resurrection, had a whole lot to do with. And they are at a Soviet air base.

Their place is a mess. And you are knee deep in mud, and they would scatter stones around. And there were not too many creature comforts. But the tents for the exchange and the commissary had opened just hours before we got there. And those soldiers and airmen were standing around winding one end to the other of that air base waiting to get in. And it was not because they were not being cared for.

It was because it gave them a little touch of home. And if that does not bring home to me and to the issue the importance of what you do, I do not know what does. God bless you for that. And I pledge to you we will continue to do everything we can to support you in that vital mission that, as has been noted today, is even more vital than ever before.

So with that, thank you for your presence. Thank you all for being here. And I will adjourn the subcommittee.

[Whereupon, at 3:38 p.m., the subcommittee was adjourned.]

A P P E N D I X

APRIL 2, 2003



PREPARED STATEMENTS SUBMITTED FOR THE RECORD

APRIL 2, 2003



WRITTEN STATEMENT
BY
HONORABLE CHARLES S. ABELL
PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE
(PERSONNEL AND READINESS)
BEFORE THE
SUBCOMMITTEE ON TOTAL FORCE
OF THE
COMMITTEE ON ARMED SERVICES
U.S. HOUSE OF REPRESENTATIVES
ON
APRIL 2, 2003

Not for Publication until Released
By Committee on Armed Service
US House of Representatives

Mr. Chairman and members of the Subcommittee, I welcome the opportunity to appear before you today to discuss the Department of Defense resale programs. For over 55 years, the Congress has demonstrated strong support for the commissary, exchange, and morale, welfare, and recreation (MWR) programs. We look forward to continuing that relationship with the Total Force Subcommittee.

You recognize, as do we, that people are the Department of Defense. Quality of Life is fundamental to force readiness and is crucial to retaining service members and their families. The commissaries and military exchanges are top-rated elements of non-pay compensation for military members and a valued retirement benefit.

The Defense Commissary Agency and the Armed Service Exchanges make sure that quality products and services are available worldwide to our military community at a saving. This saving increases disposable income and helps form the non-pay compensation benefit. These benefits are especially important overseas where the resale activities offer goods and services "from home" and serve as the largest employer of military family members. As an added benefit, the exchanges contribute the majority of their earnings to support MWR programs.

In today's environment, the commissary and exchange benefits are of paramount importance to the military community. For the 271,000 Reserve and Guard personnel activated since September 11th, the commissary and exchange benefits help ease the burden on their family finances and reinforce a sense of military community support. With over two-thirds of active duty families living off base, more single parents, working spouses, deployments and operational

tempo, there are special challenges in making sure that military families can and do take advantage of these important non-pay compensation benefits.

We are confident in our capability to adjust the resale system to meet the challenge of supporting America's fighting force and their families.

SUPPORT OF DEPLOYMENT

As the men and women of our Armed Services stand ready to defend peace around the world, families left behind share their sacrifice. We are grateful for their commitment. In turn, the Department has recommitted MWR, commissary and exchange programs to support our brave men and women in uniform and to serve as core elements of family support.

Exchange and MWR personnel, including over 300 civilians, are serving with our troops at forward-deployed locations. Whether aboard the USS Abraham Lincoln in the Persian Gulf, Camp Hovey Korea, Camp Doha, Kuwait, or Kandahar, Afghanistan, these dedicated personnel are operating exchanges, ships stores, and recreational programs—often 24 hours a day, seven days a week. This endeavor is made possible thanks to appropriated and nonappropriated dollars, strong support of our industry partners, and an outpouring of generous support from the American people.

Over 60% of today's Service members have family responsibilities. Deployments, operational tempo and the security environment place strains on military communities and families. At nearly 300 installations around the globe, MWR, commissary and exchange

personnel have initiated a sweeping program of activities to support our active, Reserve and National Guard members, retirees, and family members.

In this time of great uncertainty, our Service members know that they and their families will be well taken care of in the field and at home.

SOCIAL COMPACT

The President pledged to improve the quality of life of our military personnel and we have made significant progress to fulfill the promise.

Last year, a new Social Compact was developed to outline a renewed commitment to enhancing quality of life programs. The resale activities developed a long-range plan to improve the identity of commissary and exchange missions as core elements of family support that provide non-pay compensation benefits to Active and Reserve members. Our aim is for every eligible customer to know the value of the resale benefits and to recognize them as a measurable element of compensation. Performance goals and measures have been identified and will include comparisons to the private sector, especially in the areas of customer satisfaction, savings, and capital investment. The exchange performance will also measure support of MWR programs.

As a first step, the Department contracted with CFI Group to measure commissary and exchange customer satisfaction and provide comparison to industry using the American Customer Satisfaction Index (ACSI). The commissary and exchange goals are to meet the ACSI average customer satisfaction scores for the grocery and department/discount store industries. Although each of the resale activities routinely measures their own customer satisfaction, this is the first time that an objective assessment of all four resale entities is being conducted.

Work continues to define and measure market basket savings and to benchmark capital investment and MWR dividends. As a cooperative initiative, the three exchange services are seeking a joint contract to conduct market basket surveys.

We plan to complete a new, cohesive marketing, merchandizing, and advertising strategy to deliver and communicate better the commissary and exchange benefits to all segments of the military population. DeCA and the exchanges have initiated awareness campaigns to make authorized patrons aware of these important benefits.

FY 2004 FUNDING

The President's FY 2004 budget requests \$1.1 billion for the Defense Commissary Agency, a \$31 million increase over the FY 2003 enacted level. The \$216 million requested for military exchanges principally supports transportation of U.S. goods overseas. Predictions of future costs to support the global war on terrorism and other commitments are uncertain given that the estimates are so dependent on future, unpredictable circumstances.

Even with this strong taxpayer support, we are experiencing stress on the resale systems. FY 2003 and 2004 forecast sluggish surcharge and nonappropriated revenues, diminishing exchange profits and MWR dividends, and added costs to support contingency operations and force protection measures. FY 2004 will be the first budget in a decade reflecting a decrease in appropriated funding for MWR programs. Continued health of the MWR and resale systems depends on our capability to deliver competitive savings, customer satisfaction, and services in modern facilities and to produce a steady flow of funding for capitalization and MWR dividends.

We are working to enhance effectiveness by managing resale in a more business-like manner, transforming business processes and infrastructure to eliminate redundancy and focus on the commissary and exchange missions. We seek your continued support to make the changes necessary to sustain these prized benefits in these challenging times.

DEFENSE COMMISSARY AGENCY

Active duty members and their families consider their commissary benefit to be one of their top benefits, second only to health care. The Defense Commissary Agency operates 276 commissaries around the world. The commissaries annually sell about \$5 billion in groceries, meat, poultry, produce, dairy products, and household goods. The products are sold at cost plus a 5 percent surcharge. Within this pricing structure, the Department's goal is to sustain a 30 percent saving on comparable private sector market baskets. The surcharge paid by customers supports commissary construction and store information technology.

The Military Departments provide operational oversight of the commissary system through the Commissary Operating Board. The board is intended to provide a collaborative mechanism to assist the Under Secretary of Defense for Personnel and Readiness in the governance of the commissary benefit and evaluating DeCA's performance. We face increasing pressure to cut the taxpayer bill – either by reducing costs or generating offsetting revenue. Consultation with the Services is crucial to keep the commissary benefit on solid footing while making these difficult decisions.

TRANSFORMATION

Secretary Rumsfeld established the Senior Executive Council to provide him with recommendations on applying sound business practices, bureaucracy reducing, and money-

saving opportunities within the Department of Defense. Assessments are ongoing to evaluate whether outsourcing, consolidation, or adopting best business practices can reduce the appropriated dollar subsidy and still deliver the commissary benefit.

DeCA is evaluating opportunities to capitalize on best business practice in meat procurement, workforce shaping, merchandising, and pricing. We are also identifying constraints, statutory and internal policies that limit DeCA's operational efficiency. At this time the studies have not developed operating concepts or evaluated these initiatives to determine what is best for our military personnel, retirees, and other commissary customers. Be assured that in assessing the opportunities for cost reduction, the Department will carefully consider the impact on commissary customer savings and customer satisfaction. If any of the initiatives appear feasible and desirable, they will be pursued in consultation with the Congress. Accordingly, I ask for your support of the study process.

We will ask creative questions and consider innovative alternatives. To sustain the commissary benefit through the transformation process, we must explore opportunities to capitalize on private sector competencies and best practices to deliver it at less cost to the American taxpayer, where possible. As we explore these opportunities, there is no intent to endanger the benefit.

OPERATING PERFORMANCE

For Fiscal Year 2002, commissary sales growth lagged behind the grocery industry, partially due to increased savings passed to customers in the form of lower costs. The Commissary Operating Board is closely monitoring sales, which have recovered in the first quarter of Fiscal Year 2003. DeCA is studying variable pricing as a means to generate revenue

to reduce the taxpayer burden and sustain customer savings. With annual surcharge revenues of \$250 million, DeCA can sustain a healthy recapitalization program to eliminate the construction and repair backlog and replace their point of sale system.

Using the principles of the A-76 process, DeCA has outsourced approximately 26% of its store functions, including receiving, handling and storage of product, shelf stocking and custodial duties. And, DeCA has essentially privatized distribution, deli, and bakery functions. The DeCA budget reflects savings from streamlining headquarters, region, and store operations. GAO found that DeCA's commissary operations and customer service have been maintained at the same level, and in some cases improved, despite recent reductions in the workforce. It is worth noting that the ACSI rated DeCA customers' overall satisfaction on par with the grocery industry average.

We have chartered the Commissary Operating Board to review annually the performance of each commissary store, to monitor marginal commissary operations, and to validate the requirement for commissary stores at each location. These judgments are based on specific criteria, including the mission and assigned active duty population, proximity of the nearest commissary, and commissary sales and costs. We recently notified the Subcommittee of our plan to close the commissary at Fort Monroe and open commissary stores at Marine Corps Support Activity, Richards-Gebaur, MO and Naval Air Station Joint Reserve Base, Willow Grove, PA.

The performance of the commissary system reflects the combined efforts of the 18,268 DeCA employees. DeCA is a service-oriented agency with personnel costs representing 58 percent of the annual operating budget. DeCA is evaluating opportunities to adopt personnel management practices that mirror the private sector. DeCA was recently granted authorization to

allow limited shopping privileges for employees assigned to stores in the United States. While this authority is recognized as a time saving convenience for items consumed during their working hours, it does not allow full shopping privileges for DeCA employees.

ARMED SERVICE EXCHANGES

The three exchange systems, the Army and Air Force Exchange System (AAFES), the Navy Exchange Service Command (NEXCOM), and the Marine Corps Exchange, operate independently. Each Exchange Service provides two important non-pay compensation benefits for authorized patrons: selling quality goods and services at low prices and distributing earnings as dividends to support the Services MWR programs. Typically, the MWR programs use the exchange dividends to support their nonappropriated fund construction programs. The Armed Services oversee the operations under broad Department policy.

The exchanges ended Fiscal Year 2002 with estimated sales of \$9.8 billion and profits of \$450 million. Sales increased \$321 million over FY 2001, but profits dropped over \$57 million (11 percent) – falling from 5.37 to 4.61 percent of sales. About ten percent of the decline in profits is attributed to Operation Enduring Freedom.

On a combined basis, FY 2002 MWR dividends represent 71 percent of exchange profits. Still, MWR dividends dropped from \$335 million to \$321 million. To maintain this reduced level of dividend support in FY 2002, the exchanges sacrificed reserves for capital programs.

As more members deploy, interest rates drop, and gasoline, tobacco, and telecommunications margins shrink, the exchanges forecast further erosion of profits and MWR

dividends. FY 2003 profits are estimated to drop to \$368 million, with MWR dividends shrinking to \$256 million. Because of their dependency on exchange profitability, we expect smaller nonappropriated construction programs. We are closely monitoring these indicators of exchange performance, as well as customer satisfaction and savings.

In order to maintain MWR dividends without adversely affecting customer savings and capitalization programs, the exchanges must lower costs while trying to improve customer satisfaction scores. We must find ways to manage more efficiently. Independently, each exchange is attempting to reduce its overhead costs, especially at headquarters, and implement other efficiencies through changes in business practices – changes that require continued investment in information technology and infrastructure.

The exchanges are unable to share information or technology effectively to improve business processes, lower operating costs, generate savings, and improve customer service. Each exchange service has developed information technology systems and architectures that support its business processes. The three exchanges continue to independently invest in disparate systems and business processes, often duplicating investment in infrastructure. This poses a significant challenge to cooperative efforts.

Although agreement has been reached on a long-term vision, there is no implementation plan to achieve common business philosophy and best business practices in support of core merchandising, distribution, and financial and operational functions. I am increasingly concerned that our military members are being shortchanged as a result of these boundaries.

EXCHANGE MERCHANDISE RESTRICTIONS

In October 2002, the Department submitted the second and final report to Congress on the impact of lifting certain merchandise restrictions. The newly authorized items (computers and wide screen TVs) produced \$10.5 million in sales and \$350K in dividends. Based on your guidance, future requests for relief from merchandise restrictions are to include surveys and assessments of the impact on the local community. We are preparing to conduct surveys to assess the impact of lifting restrictions on televisions, diamonds, and furniture. We will keep the Subcommittee advised of our progress.

BASE REALIGNMENT AND CLOSURE AND GLOBAL PRESENCE AND BASE STRATEGY

The Defense Base Closure and Realignment process is examining infrastructure inside the United States. Work is also underway to adjust global positioning of our forces and their supporting infrastructure outside the United States. As a comprehensive and integrated presence and basing strategy is developed, we will not concentrate on the operational dimension alone, but also on how to best improve quality of life. Concerns have been raised regarding the degree to which the Department can continue to provide the MWR and resale benefits to authorized patrons. In preparation, we are evaluating the current policy and statute governing commissary and exchange operations on closed installations, to include combined store operations, to determine if modifications to statute or policy are needed.

At this juncture, we are not contemplating a moratorium on nonappropriated fund and commissary surcharge construction programs. As we approach BRAC 2005, in addition to

realigning our base structure to meet our post-Cold War force structure, we intend to examine and implement opportunities for greater joint activity.

CONSTRUCTION

Last August we submitted and you approved a FY 2003 nonappropriated and surcharge construction program that included 93 major projects for commissary, exchange and MWR activities totaling \$666 million, a \$223 million increase over FY 2002. Given the declining exchange profits and MWR dividends, we do not expect to sustain the nonappropriated fund construction program at this record level. However, commissary surcharge construction is expected to stay at programmed levels. This year, we again seek congressional approval to raise the minor construction threshold from \$500,000 to \$750,000 to coincide with APF.

FUTURE CHALLENGES

Ensuring that resale programs are efficient, effective and responsive to the beneficiaries is vitally important. I am extremely impressed with the dedicated professionals who support our men and women in uniform. I have seen this at locations in the United States and, literally, around the world. I encourage our military resale community to continue the important work that has been done and is underway. Through this transformation process, the future, both near- and long term, presents numerous challenges and great opportunity for resale programs. Our functions are included in the transformation -- not only as key elements of force management -- but also in the institutional effort to eliminate redundancy and focus on core competencies. We

must use this opportunity to achieve operational efficiency and to maximize the benefit to the uniformed service member and the military family. As we move forward with plans and propose future changes, congressional support will be needed. We are committed to working with the Congress.

STATEMENT BY:
MAJOR GENERAL KATHRYN G. FROST, USA
COMMANDER, ARMY AND AIR FORCE EXCHANGE SERVICE
BEFORE THE
TOTAL FORCE SUBCOMMITTEE
OF THE
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES
108TH CONGRESS, 1st Session
HEARINGS ON
MORALE WELFARE AND RECREATION PROGRAMS
AND RESALE ACTIVITIES
2 APRIL 2003

NOT FOR PUBLICATION
UNTIL RELEASED BY
THE HOUSE ARMED
SERVICES COMMITTEE

Mr. Chairman, and Members of the Subcommittee, Thank you for the opportunity to appear before you today to testify about the Army and Air Force Exchange Service. I am proud to have the chance to report on the Value, Service and Support that AAFES provides to service members, retirees and their family members around the world. As our troops courageously answer the call to duty in Southwest Asia, and as their families make tremendous sacrifices at home, the value of the exchange benefit is more critical than ever. I am here to report that the AAFES team is more committed than ever to serving "The Best Customers in the World."

ABOUT AAFES

Our commitment is evident in the support that AAFES has provided over the past year. In Central and Southwest Asia, in the critical first months following the September 11 attacks, AAFES quickly mobilized to support an ever-growing number of troops engaged in the War on Terrorism. Most recently, as forces have massed in Southwest Asia in response to anticipated action against Iraq, AAFES has answered the call. Today, we have 48 approved contingency sites, 34 of these active, in 17 countries extending from the Horn of Africa to the former Soviet Republics in support of Operation Enduring Freedom and Operation Iraqi Freedom with an additional 13 new sites pending approval. AAFES serves soldiers, airmen, sailors and Marines, as well as coalition forces, in tactical field exchanges staffed with over 260 enthusiastic AAFES volunteers. At home, across the United States, AAFES provides support to troops protecting sensitive chemical and depot sites as part of Operation Noble Eagle. Wherever you find the women and men of our Armed Forces, at home or abroad, you will find AAFES in all 50 states and in over 35 foreign countries.

We go where they go. Serving our troops is AAFES' mission. I am extremely proud of this organization as it continues to meet challenges alongside our Armed Forces in peace and in war - wherever they serve.

AAFES IN 2002

Two thousand two, while not a banner year for AAFES, was a success in a variety of areas. Our total revenues of \$7.295 billion were 3% higher than the prior year. Key factors in that increase were retail sales, which kept pace with industry growth at over 3% (\$6.449 billion) and food sales, which showed continued solid growth at 6% (\$519.2 million) over 2001. Earnings almost totaled \$329 million or about 4.67% of sales. Dividends to all services were \$220.4 million, just below our target of \$221 million.

In 2002, a number of economic factors combined to slow growth in the retail industry and unfortunately, AAFES was not immune. Significant to the AAFES bottom line was a decline in financial revenue due to declining interest rates, and the decline of the dollar against foreign currencies. The interest rate on Military Star Card is linked to the prime interest rate, charging only 4.75% above prime. As the prime rate declines, so does the Military Star interest rate. Today's rate is 9.0%. Deployed troops may select an option where their Star Card interest rate is 0%. Interest revenue in 2002 was \$124.1 million, down 13% from 2001. Unfavorable fluctuations in the foreign currency exchange rates reduced our earnings because of overseas employment costs and other expenses.

In addition to these economic factors, AAFES earnings were impacted by the additional costs of supporting Operation Enduring Freedom. This support is not cheap. The cost of in-theater transportation, significant merchandise shrinkage/loss provisions and personnel incentives/entitlements in 2002 resulted in a \$6.2 million decrement to the bottom line. These increased expenses, part of the cost of war, impacted the amount of dividends generated for

MWR. In my mind, when I saw the delight on the faces of soldiers walking into a PX at Camp Udairi in Kuwait, surrounded as far as you could see by nothing other than tents and sand, I knew it was worth every dime to be there and to bring them a little bit of home.

Two Thousand Three finds 52,000 AAFES associates serving customers in over 12,000 facilities in all 50 states and in over 35 countries. In addition to our full-line PX/BX main stores, AAFES operates convenience stores, specialty electronics and sporting goods stores, restaurants, Class Six, bookstores, motion picture theaters, vending machines, military clothing stores, gasoline stations and a wide variety of personal services activities. AAFES also manages the all-exchange catalog and e-commerce operations, which is accessible to all military personnel, regardless of service. In addition to our award-winning website, www.aafes.com, we have further expanded merchandise selection to customers through the "CentricMall" – a virtual shopping center offering customers expanded retail and service choices among commercial retailers such as FabricClub.com, Brigade Quartermasters and Major League Baseball (MLB.com).

Overseas, AAFES operates a number of businesses that provide additional support to the military community. Bakeries, ice cream plants and water bottling operations ensure our customers have the same high quality products they enjoy in the United States. These operations also supply other elements of the military community including commissaries, troop dining facilities, military hospitals and MWR clubs. Military families benefit from AAFES' school feeding program, which provides meals for 146 schools in 11 countries, feeding 31,000 students daily, all on a breakeven basis.

While we have long provided everyday low prices on name brand merchandise, we also offer extraordinary value to our customers with a number of proprietary brands in clothing, housewares, gardening essentials, health & beauty, household products and snack foods through

the "Exchange Select" brand - a cooperative effort with the Navy and Marine Corps exchanges. Items are tested in the AAFES quality assurance lab so our customers and their families know they can rely on a level of quality equal to, or better than, the name brand with which it compares.

The quality of AAFES facilities is a key component of the value of the exchange benefit. A portion of the earnings is used for construction, renovation and upgrading PX/BX facilities. In 2002, AAFES completed 40 major capital projects so customers can enjoy shopping at new, expanded or updated facilities.

While AAFES is 98% self-funded, we do receive Appropriated Fund (APF) support for about 2% of our total expenses. In fiscal year 2002, approximately \$155 million of APF was used. Of this amount, \$25 million was applied to utilities in overseas operations, defense telephone system access, facility maintenance and the salaries of the 60+ active duty Army and Air Force members assigned to AAFES. The largest and most critical component of APF support comes in the form of Second Destination Transportation (SDT) expenses (\$130 million) used to transport U.S. merchandise to AAFES facilities around the globe. This is an essential element of exchange support that implements the Congress' intent of providing an affordable American lifestyle to military members and their families as they serve their country overseas.

As the Department reported in 2002, relaxation of restrictions on exchange merchandise has allowed AAFES to offer service members a broader selection of computers and a wider array of television formats. Customer response has been extremely positive. In fact, for the second year in a row, AAFES was named "Consumer Electronics Retailer of the Year for 2003" by the Consumer Electronics Daily News. Lee M. Oser, Jr., the paper's publisher and editor-in-chief said, "AAFES was selected for its ongoing quest to do better for its customers...AAFES truly combines the uniquely American spirit of free enterprise and selflessness. In these perilous

times, AAFES is a shining star in the American firmament.” Lifting additional merchandise restrictions would allow us to remain true to our commitment of value, service and support, enhance the Exchange benefit and improve quality of life for military service members and their families.

OUTLOOK FOR 2003

In the year ahead, AAFES will deal with many of the same uncertainties and challenges that we’ve encountered in 2002. While we predict a slight increase in revenue, we also expect that earnings will decline. Costs for continuing support in Southwest Asia will most likely rise as we project \$94 million in expenses relating to that effort this year. We will continue to see lower financial revenues until there is a turnaround in the financial markets and currency rates.

We are currently in the process of a “bottoms up” review of operations to ensure we are as efficient and effective as possible. We have embarked on a transformation path with a strategic map and progress to be measured using the balanced scorecard. To control personnel costs, while ensuring AAFES associates are paid fairly, we are migrating from a pay compensation system linked to the federal employment system to a market-based pay program with a pay-for-performance component.

At the same time, I have established an Office of Corporate Compliance to ensure that AAFES identifies the laws, directives and policies that dictate corporate governance and establishes systems to ensure disciplined internal controls and compliance. AAFES is an organization of committed employees, many of whom have dedicated their entire careers to serving the military community. We must ensure that all – customers, stakeholders, vendors, and those who provide our oversight have confidence that AAFES will always do the right thing.

While we will continue to focus on generating dividends for MWR, AAFES must also focus on the intangible dividend that our customers demand and deserve every day – value at the cash register, facilities that are attractive, modern, clean and safe, and support where profit cannot be made, but where the benefit is needed most.

To some, “Value” is an old-fashioned term used by people my age. Times have changed in the past 30 years and what our customers want today is low prices and we must deliver them. AAFES is committed to accomplishing this by partnering with industry to drive down cost of goods, reduce the expenses associated with selling, and pass the savings on to our customers. We must be competitive with mass merchants outside the gate. Not only do our customers deserve that, but the future of the exchange benefit compels it.

About 30 years ago, I visited my first PX. I was thrilled to find a store that offered me quality merchandise at discounted prices in locations both at home and far away from home. It was my benefit that I earned because I was serving in the military - and I’ve been a loyal customer ever since. As Commander of this great organization, I am determined to ensure those introduced to their benefit for the first time, along with those already shopping their exchange, recognize the significance and value of the exchange benefit. We will do that by providing low prices, great service and unexpected support in places our competition won’t go - and then by returning the dividend to the Services to enhance quality of life in every military community.

CONCLUDING REMARKS

I appreciate the support the Chairman and many of you have provided AAFES in the past. I look forward to working with the Committee to continue to improve the benefit for the “Best Customers in the World.”

NOT FOR PUBLICATION UNTIL RELEASED BY
THE COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

STATEMENT OF
REAR ADMIRAL WILLIAM J. MAGUIRE, SC, USN
BEFORE THE SUBCOMMITTEE ON TOTAL FORCE
OF THE
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES
ON
APRIL 2, 2003

NOT FOR PUBLICATION UNTIL RELEASED BY
THE COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES



Rear Admiral William J. Maguire
Supply Corps, United States Navy
Commander, Navy Exchange Service Command



Rear Admiral William J. Maguire is currently assigned as Commander, Navy Exchange Service Command (NEXCOM), Virginia Beach, VA. Prior to his current assignment, he served as the Vice Commander Naval Supply Systems Command (NAVSUP), and Deputy Commander of the Department of the Navy eBusiness Operations Office at NAVSUP.

A native of Philadelphia, PA, he earned his Bachelor of Science degree in Economics from Mount Saint Mary's College in Emmitsburg, MD. He received his commission, via Officers' Candidate School (OCS), in December 1974 and completed his basic Supply Officer training at the Naval Supply Corps School in Athens, GA in June 1975. A tour at the Naval War College enabled him to earn his two master's degrees.



Rear Admiral Maguire's sea duty tours include Sales Officer and Wardroom Officer of USS ENTERPRISE (CVN-65) in Alameda, CA; Aviation Support Division Officer of the USS FORRESTAL (CV-59) in Mayport, FL; Supply Officer of USS OKINAWA (LPH-3); and Supply Officer of USS AMERICA (CV-66).

His shore duty tours include Aviation Support Division Officer, NAS Moffet Field; first Weapon's System Officer for the SH-60B Seahawk, Aviation Supply Office (ASO) in Philadelphia, PA; Readiness Officer on the Commander, Naval Air Force Pacific Fleet staff; head of Navy Policy, Programming, Requirements branch in the Financial Management/Comptroller Division, Naval Supply Systems Command (NAVSUP) in Washington, DC; Special Assignment to the BRAC 93 Base Structure Analysis Team, head of Readiness and Logistics Analysis Section, Programming Division (N80), OPNAV; Military Assistant to the Deputy Under Secretary of Defense for Logistics; and Deputy Director for Aviation at the Naval Inventory Control Point (NAVICP), Philadelphia, PA.

Rear Admiral Maguire's awards include the Legion of Merit, five Meritorious Service Medals, the Joint Service Commendation Medal, two Navy Commendation Medals, a Navy Achievement Medal, and various other unit and campaign ribbons.

Mr. Chairman, distinguished members of the Subcommittee, Secretaries Abell and Molino, I am honored to represent the Navy Exchange System and our 16,000 dedicated associates to update you on the quality of life benefits we provide our active duty and reserve military men and women, retirees and their families.

We are a global enterprise that has three primary business units: our Ship Stores Afloat, our Navy Exchanges and our Navy Lodges. The mission of our Ship Stores is "to provide quality goods at a savings, quality services necessary for day to day living and funding for afloat recreation needs". Our Navy Exchange mission is "to provide our customers quality goods and services at a savings and support quality of life programs". The mission of our Navy Lodges is "to provide reasonably priced, quality lodging facilities for our guests". All our missions have one thing in common, taking care of our most valuable assets - our active duty and reserve Sailors, retirees and their families. I am pleased to report that the Navy Exchange Service Command (NEXCOM) has been successful in accomplishing its missions and we are laser focused on our valued patrons.

Our business is diverse - 184 Ship Stores; over 400 retail outlets at 104 Navy installations; over 1,200 service outlets including food service, barber and beauty shops, automotive/gas stations, flower shops, and photo shops; 104 Uniform Shops and 41 Navy Lodges with 3,251 rooms. Whether at sea or ashore, we are there to support our Navy Family. Our operations vary in size from large revenue producers in metropolitan areas to small remote, fact of life locations both overseas and in the United States. Our patron base is wide ranging - the enlisted recruit, the four star flag officer, the retiree who has served our nation with distinction, the reserve component so vital to our total force concept and all their dedicated family members.

This has been a challenging year for our Sailors and their families. With current world events, our Commander in Chief, President George W. Bush has told our military to "Be Ready".

My challenge to all our Navy Exchange associates is to heed these words and "Be Ready". Be ready to support our patrons during times of great uncertainty. Be ready to respond to emergent requirements such as opening stores earlier or staying open later. Be ready to provide great customer service to those who protect our freedoms and the great Navy families who are awaiting the safe return of loved ones. I am pleased to report to you today that our Navy Exchange associates are ready, and we are answering this challenge.

When our Sailors are called to sea, our Ship Stores program goes with them. Since 1896, before there were ashore Navy Exchanges, Navy Lodges or retail facilities of any kind, our Ship Stores program has taken care of our Sailors and Marines. Today we operate retail stores, vending machines, barber shops and laundry facilities aboard 184 Navy ships and four remote shore locations such as Diego Garcia, seven days a week, 24 hours a day. As we speak today, over 50 percent of our ships are forward deployed, and we are there with them.

In support of Operation Enduring Freedom, NEXCOM assisted 92 combatant ships, as well as the two fleet hospital ships, with merchandise and laundry support equipment prior to the ships' deployment. Our support to afloat Quality of Life does not stop with the services we provide. During 2002, \$19.4 million went directly back to the ships in the form of Morale, Welfare and Recreation (MWR) dividends to enhance the quality of life of ships' company both afloat and when ashore.

One of the biggest morale boosters aboard ships has been our afloat telephones providing the valuable link to their families and friends at home. In partnership with AT&T, we have outfitted 172 Navy ships and 31 Coast Guard cutters with afloat personal communications. Our team worked diligently to install systems on ships that deployed on short notice, most recently the USNS Comfort which sailed just before the year-end holidays. We also provided the USNS

Comfort with 5,000 free \$20 calling cards and 10,000 free calling cards were provided to our Naval Hospitals.

As more troops deployed to the Persian Gulf, the number of people in transit or at some of our overseas locations dramatically increased. The Navy Exchange has extended hours to meet the increased demand, our merchandise buyers have ordered more products to keep the shelves stocked, and additional vending equipment has been added to our affected locations such as air terminals. One example is Rota, Spain where temporary on-base housing has been constructed to meet the increased demand. The Navy Exchange has responded with a 600 square foot prefabricated building to house vending machines, phone lines, calling card vending machines, microwave ovens, Armed Forces Network hookup for TV, and tables and chairs. The goal is to create a small social environment where patrons can access our services 24 hours per day/7 days a week. As our General Manager at Rota said, "We're here to support the troops. That's what we're all about." I could not have said it any better.

New missions at Naval Station Guantanamo Bay have resulted in a significant increase in military personnel and our sales there have increased 103 percent. We are providing an ever increasing level of support from our NEXMART operation, a combined store offering both an exchange and a full commissary assortment and benefit under one roof. We are committed to working with the Defense Commissary Agency (DeCA) to continue developing this model to provide an efficient single face to our customer. The result is a win-win-win model for NEXCOM, DeCA and, most importantly, our valued patrons. We see exciting opportunities for greater partnership in the years ahead.

Our Navy Lodge Program has played a role in providing affordable temporary lodging to many of the reservists called to action. We saw an increase of 18 percent in the number of reservists using the facilities over the previous year. The Navy Lodge Program's guest satisfaction

rating is at an all time high of 94.2 percent and an occupancy of 84 percent, both well above the industry averages. During 2002 we renovated over 20 percent of our guest rooms, continuing our commitment to providing the best possible facilities for our Sailors and their families. Currently, there are 600 rooms under construction, replacing older facilities or adding new ones such as the Navy Lodge in Hawaii, which opens this Fall. The Navy Lodge Program is funded entirely through self-generated revenues and continues to be a valued benefit to our active duty and reserve Sailors, retirees, and their families.

The year 2002 was a good year for our Navy Exchange program with sales of \$1.94 billion, an increase of 2.4 percent from the previous year, which exceeded our plan. Our comparable store sales increases exceeded most of our commercial counterparts and our preliminary net profit of \$53 million exceeded our plan by 12 percent. We are pleased with these results.

During 2002, we contributed \$70.5 million dollars to MWR programs, ashore and afloat, a 15 percent increase over 2001. We recognize that MWR has a very important role in taking care of our Sailors, and we are proud to provide continuing dividends in support of their Quality of Life programs.

We have made capital improvements a priority and over the past 5 years invested \$360 million in modernizing our facilities, equipment and information technology systems. One of the most rewarding tasks as the Commander of NEXCOM is to be present at a grand opening of one of our remodeled and improved facilities. It is obvious to me, from patron response that our efforts for continued improvements have been noticed and are appreciated by our valued patrons. These results are clearly reflected in increased scores on our customer satisfaction surveys, and more importantly, in increased sales. In 2002, we cut the ribbon on 8 exchanges and 6 lodges, including the grand opening of our newest and largest store at Naval Station Pearl Harbor, a joint project with DeCA. When the exchange opened its doors on October 25th, approximately 30,000

patrons, more than 20 percent of the entire customer base, came to the new store to shop. The first day's sales were over \$900,000.

I am pleased to report that our 2002 Customer Satisfaction Index (CSI) scores met our goal and are at 2002 retail industry standards. Our overall score of 76, is up 2 points from the previous year. The CSI is run annually in the top 70 Navy Exchanges with approximately 14,000 customers participating. The information gathered in that survey is a key management tool for NEXCOM. It identifies areas for improvement and is used to develop specific action plans. CSI scores are also used to determine winners of our Bingham Award which recognizes the best stores in their class each year.

The Department of Defense 2002 Active Duty Status of Forces Survey of 38,000 members from all services shows that 72 percent of Navy members reported being satisfied and only 15% were not satisfied with the exchange and commissary services. It was apparent from the survey that exchanges and commissaries continue to be a highly appreciated non-pay benefit.

Not only are we committed to our customers but we are committed to our great associates. As I travel I am consistently impressed by our dedicated associates who are the heart and soul of our Navy Exchange System. I am pleased to report that our annual Associate Satisfaction Index continues to show improvement. In 2002 we implemented a long term care program that allows our employees to elect quality coverage commensurate with the cost of long term care in their geographic area. NEXCOM has partnered with the Army, Marine Corps and Coast Guard to make this program available to their nonappropriated fund employees, as well. Last year we also entered into an agreement with ARAMARK/Children's World Learning Center to offer quality child care services at a discount to NEXCOM associates at over 600 community based child care centers nationwide. We are exploring similar arrangements with other child care providers to cover areas not served. We have also partnered with the Army Air Force Exchange System

(AAFES), Air Force MWR, Army MWR and Navy MWR to offer medical coverage at more competitive rates to all our employees in the Tidewater area.

I would like to take this opportunity to extend a very special thanks to all of our associates on Guam for their sacrifices and superb effort during some very trying conditions. Navy Exchange facilities were not exempt from the effects of Super Typhoon Pongsona. Numerous Exchange facilities were damaged and power, water and gas supplies were interrupted. Forty percent of our associates lost some or all of their possessions. In spite of these difficulties, the Guam Navy Exchange Team rallied to meet the crisis. I also want to thank all our vendors for their exceptional efforts in helping us get merchandise to our Guam exchange. As a result of all of the teamwork, the Navy Exchange was available to help our customers celebrate a happy holiday season in spite of the effects of the typhoon. This is truly an example of how our team, NEX associates and our vendors, have our Sailors' and their families' best interest at heart.

The Exchange Cooperative Efforts Board, comprised of the Exchange Commanders and Chief Operating Officers, continues to find ways we can cooperate to our mutual advantage, ultimately increasing the benefit to the Sailor, Marine, Soldier and Airman. Seventy-one cooperative efforts are being worked through the Exchange Cooperative Effort Board. Particularly noteworthy is the launching of our new joint exchange private label, "Exchange Select", which replaced the individual exchanges' private label brands in such categories as health and beauty care, baby products, vitamins, toiletries and household products. These products truly meet the needs of our young military families by providing them quality products with an average savings of approximately 48 percent compared to national brands.

Last year NEXCOM, AAFES, and Marine Corps Exchange (MCX) published a joint policy statement for social responsibility and labor standards for private label merchandise. These standards prohibit using child or forced labor, discrimination or inhumane disciplinary practices, and

ensure proper working hours, compensation and benefits, freedom of association, and the right to collective bargaining and a safe and healthy workplace.

Through another joint effort with AAFES and MCX, NEXCOM requested further lifting of the remaining Armed Services Exchange Regulations (ASER) restrictions. Lack of response to past surveys of local merchants on the impact of lifting some ASER restrictions is a clear signal that our merchandise category changes have not affected local businesses. The competition exchanges face today is no longer dominated by the small family owned businesses of yesterday, but from the big box national chain retailers of today. To compete in today's retail environment and fully meet the needs of our service men and women, we need to be able to provide our patrons with the full range of consumer electronics, furniture and jewelry with appropriately sized facilities.

As we look to the future, we are taking the Navy Exchange System to the next level of retail excellence. NEXCOM is continuing systems modernization initiatives using proven commercial off-the-shelf (COTS) software and open architecture. With the deployment of Retek, ranked the number one retail software by *Retail Info Systems News* for 2001 and 2002, we are replacing six of our legacy systems with one state of the art retail enterprise system. Retek will provide the ability to achieve an annual recurring savings of \$27 million, helping NEXCOM become more efficient and improving customer service. Implementing these system improvements demonstrates our commitment to changing our business processes and adopting best business practices. With Retek we will have a functionally rich retail system supporting all Navy Exchange merchandise categories, including grocery; a distribution and logistics management system supporting our diverse supply chain needs; an automated, integrated store management system; highly sophisticated demand forecasting capability; automated invoice matching; a data warehouse with comprehensive decision support; and responsive patron support.

I want to thank the former Morale, Welfare and Recreation Panel members for all their support over the years. I look forward to working with this new Subcommittee. Continuing the partnership between Congress, the Department of Defense, the Military Services, and Industry will ensure that exchanges are poised to go forward as our military defends this nation. Military Exchanges are an integral part of transformation within government. Each Exchange Service is adopting best industry practices so that our Service Members will be able to shop in clean, modern and safe stores which are equal to or better than our civilian counterparts.

The Navy Exchange System and our 16,000 associates are committed to improving the quality of life of all our Sailors and their families. We are honored to stand behind those in uniform as they protect and defend our country's freedom. We are grateful for those that have sacrificed in service of our nation. We are committed to their spouses and children, and recognize their important loved ones are deployed. They are the focus of everything we do, the reason we exist and they deserve our very best, every day.

STATEMENT OF
MAJOR GENERAL MICHAEL P. WIEDEMER, USAF
DIRECTOR, DEFENSE COMMISSARY AGENCY
BEFORE THE
TOTAL FORCE SUBCOMMITTEE
OF THE
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

FIRST SESSION, 108th CONGRESS

APRIL 2, 2003

**NOT FOR PUBLICATION UNTIL RELEASED BY
THE HOUSE ARMED SERVICES COMMITTEE**

Mr. Chairman and Members of the subcommittee, it is my pleasure to appear before you to provide an update on the Defense Commissary Agency (DeCA). After nearly eight months as its Director I can report the foundation upon which DeCA was built is sound and we are committed to the full intent of Congress in providing this important benefit to the military community. The dedication to the commissary benefit is deep-seated, but the commitment to strengthening and improving it, from our trading partners and within our workforce, is even stronger. The commissary is truly a cornerstone of the Quality of Life program for the members of our Armed Services community and I am particularly pleased to have been chosen to lead the great men and women who administer this vital benefit.

However, while our foundation is resilient it requires our continued focus to enhance stability. That focus must be on our customers, our partners and our workforce and will be provided through DeCA's newly stated shared values:

Leadership: We expect passion, courage and excitement!

Integrity: We demand honesty, professionalism and trustworthiness!

Flexibility: We cultivate innovation, empowerment and competence!

Enjoyment: We foster teamwork, recognition and opportunity!

These values provide "**LIFE**" in our delivery of the commissary benefit and are the core ingredient necessary to create "Raving Fans" of our customers, our workforce and our partners!

Leadership:

By focusing on a business approach to our operations we are enjoying a high degree of success. We continue to provide visible results in terms of patron savings of 30% for our customers and our customer service satisfaction ratings. After the set backs felt by the entire retail sector following 9-11, both our dollar amount of sales and customer count are returning to normal. Our costs remain on target. Our systems investments have ensured store-operating efficiency. And, entering the first full year of benefit from the Surcharge Revitalization legislation, that became effective in October 2001, we have 13 major projects under construction and are scheduled to award another 11 this fiscal year.

But you don't just have to take just my word for it. The General Accounting Office (GAO), addressing the concerns the House Armed Services Committee raised last year, reviewed the impact the proposed personnel reductions would have on store operations and customer service. Additionally, it reviewed DeCA's methodology to measure customer satisfaction. While acknowledging our need to reallocate more resources, particularly at smaller stores, to meet operational requirements, the GAO not only verified that customer service and commissary operations had been maintained, but also found that in some cases it even improved in spite of those reductions in full-time positions. In fact, during this period DeCA attained the highest customer satisfaction ratings EVER! But, we are

always looking for ways to improve our service and appreciate that while the GAO found DeCA's Commissary Customer Satisfaction Survey (CCSS) methodology was reasonable, several enhancements could be made to provide consistency and completeness in future surveys. We are gladly incorporating their recommendations into our procedures.

DeCA's internal CCSS scores and the GAO's conclusion were recently confirmed by the fourth quarter 2002 results of the American Customer Satisfaction Index (ACSI). The ACSI is an economic indicator that measures customer satisfaction through a uniform and independent means in 35 industries across the United States. Earning a rating of 75 from ACSI, the report verifies DeCA's customer service satisfaction rating equals the U.S. supermarket industry average. We are extremely proud to have received this distinction that demonstrates how well DeCA serves its patrons. After all, our goal is to provide the premier Quality of Life benefit for our customers—every time, every place!

Integrity:

As we have seen over the past year in example after example emanating from corporate America, you can't maintain a world-class organization without "Integrity." At DeCA, we believe "Integrity" must be more than a word. It must be demonstrated in our daily business practices. Therefore, while we strive to benchmark the best business models and practices to emulate, we are mindful that

they must always be ethical because after all we, at DeCA, represent the United States Government in all our business dealings, and those who do business with us should be treated with professional courtesy and expect that our business relationship will be above reproach.

We are extremely proud to be one of only three Defense Agencies to have achieved compliance with the Chief Financial Officers Act by receiving a clean audit opinion on our fiscal year 2002 financial statements. We were also given high marks from the GAO for not following the commercial sector's lead in accepting slotting and shelf placement fees. GAO also verified that commissary patrons and employees, not manufacturers, make the decisions regarding the selection of products to be sold in commissaries and where they will be displayed.

The GAO found that currently more than one half of the companies producing items that DeCA sells are small businesses, but nevertheless recommended that the Agency study the potential to increase the small business opportunities by adopting a private label program for the commissary system. I believe it is incumbent upon DeCA to study any possibility to enhance the commissary benefit; therefore I have initiated the process to conduct a study.

Flexibility:

DeCA enjoyed a number of successes over the course of the last year, which improved our business, benefited our business partners, and above all enhanced

service to our customers. Perhaps foremost among these was the establishment of "Deployment Centers" at 31 commissaries. This small section places those items necessary for the welfare and comfort of the troops, such as toiletries, batteries, and snack items, to be found in a single location on post or base. The Deployment Center also allows family members of our troops on the front lines to send CARE packages from home. And, our industry partners have shown their support of the troops by providing prices for these items that are well below those you see anywhere else. Deployment Centers were established in response to a query from the Army and have been so well received that we are expanding this service to additional commissaries.

Working with the United States Treasury and private industry, DeCA was able to benchmark a very popular program within the commercial sector—a gift certificate program. Sold over the Internet, these certificates may be purchased by anyone, and redeemed by any authorized patron at any commissary worldwide. For the first time this has enabled proud parents of our military families to feel that they can continue to support their children's daily living needs.

Our partners appreciate that we embrace the best business practices and models that benefit our customers!

Enjoyment:

We have a great workforce at DeCA and our people not only need to be recognized and incentivized for the outstanding jobs they do, but they should also enjoy coming to work. In January of this year I brought DeCA's leadership together to review our Strategic Plan. We determined that the plan itself provided a good road map for DeCA's future, but required realignment to eliminate an incongruity that arose through a continued focus on cost reductions rather than on people and integration of our efforts. DeCA has reached the point where it must develop and implement its plan for the workforce of the future. Additionally, we want to be the employer our employees and others want to work for! Other than that slight change our strategic objectives remain on target.

"LIFE" Creates "Raving Fans"!

Interlinking our focus on customers, workforce and partners are the Agency's Strategic Plan, its Performance Contract with the Department and the Department's Social Compact, which reaffirms America's commitment to our Service Members and DoD's commitment to the commissary benefit. Executing the commitments made in these three core documents provides the framework for creating "Raving Fans." Once we obtain "Raving Fans," they will expand the value of the commissary benefit. We at DeCA are committed to making "Raving Fans" of our customers, our workforce, and our partners.

Military Resale Requires a Global View

This common approach is the necessary ingredient to creating "Raving Fans" of our customers, our workforce and our partners as we evolve to the next stage in the development of the commissary benefit. In my opinion, the next stage of development must view the military resale system from a global perspective, eliminating what I would term internal competition and focusing on cooperative efforts that strengthen the military resale system as a whole and make that system more convenient for the customer. In the past cooperative efforts have enjoyed little success because they focused on limited ventures, shared systems information or were perceived as being of unequal application. I have invited the other resale commanders and members of the DoD community to join me at a planning conference in May to consider a new cooperative era.

Thank you for giving me the opportunity to address the successes of the Defense Commissary Agency and our view of the future. I look forward to working with the Subcommittee to ensure the commissary benefit remains strong and viable for future generations of America's fighting men and women. As they prepare to go in harms way, they can and should expect nothing less than a commissary system that provides a cornerstone of their Quality of Life!

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THE HOUSE ARMED
SERVICES COMMITTEE

STATEMENT OF
MR. MICHAEL P. DOWNS
DIRECTOR
PERSONAL AND FAMILY READINESS DIVISION
MANPOWER AND RESERVE AFFAIRS DEPARTMENT
HEADQUARTERS, UNITED STATES MARINE CORPS
BEFORE THE
TOTAL FORCE SUBCOMMITTEE
OF THE
HOUSE ARMED SERVICES COMMITTEE
CONCERNING
RESALE PROGRAMS
AND
MORALE, WELFARE AND RECREATION PROGRAMS
ON
2 APRIL 2003

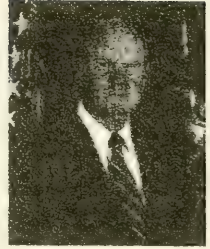
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SERVICES COMMITTEE

United States Marine Corps (Ret.)

Senior Executive Service

Michael P. Downs

Director, Personal and Family Readiness Division



Michael P. Downs entered the U. S. Marine Corps via the Naval Reserve Officers Training Course, and was commissioned a second lieutenant in June 1961. In April 1962, he completed The Basic School in Quantico, VA, and was assigned to a transplacement battalion where he served as a platoon commander, company commander, and assistant operations officer at Camp Pendleton, CA, and the Far East until December 1964. His next assignment took him to Marine Barracks, Yorktown, VA, where he served until February 1967. He was promoted to first lieutenant in December 1962, and captain in September 1965.

Upon completing the Amphibious Warfare School in Quantico in September 1967, he was transferred to the Republic of Vietnam where he served with the 1st Marine Division as Commanding Officer for Company F, 2nd Battalion, 5th Marines; Assistant Operations Officer for the 5th Marine Regiment; and Operations Officer for the 3d Battalion, 5th Marines. While serving as Company Commander of F/2/5, he was awarded the Silver Star Medal for heroic actions during ?Operation Hue City? in February 1968.

He returned to the United States in October 1968, and was sent to Quantico where he was assigned to the Development Center, and to The Basic School, and then to Marine Barracks, Washington, D.C. He was promoted to major in November 1968. After his tour in the National Capital Area, he attended the U.S. Army Command and General Staff College, Fort Leavenworth, KS, and upon graduation in July 1975 was assigned to Okinawa, Japan, where he served as Executive Officer, 1st Battalion, 9th Marines, 3d Marine Division.

Follow on assignments included Headquarters Marine Corps, Washington, D.C., where he was Administrative Assistant to the Deputy Chief of Staff, Operations and Training , and then monitor for Ground Lieutenant Colonels; student at the National War College, Washington, D.C.; Plans Officer at Headquarters, Allied Forces Central Europe, Brunssum, The Netherlands; Director of Operations and Training , and Commanding Officer, 27th Marines, 7th Marine Amphibious Brigade, Marine Corps Air Ground Combat Center, Twentynine Palms, CA; and Deputy for Marine Corps Matters, Office of Program Appraisal, Department of the Navy, Washington, D.C. He was promoted to lieutenant colonel in November 1977 and to colonel in November 1982, and was selected for promotion to brigadier general in December 1986.

In March 1987, he was assigned as the Director, Facilities and Services Division, Headquarters Marine Corps, where he remained for more than two years. In July 1989, he was transferred to

Camp Lejeune, NC, where he served first as Commanding General, 6th Marine Expeditionary Brigade, and then as Commanding General, Marine Corps Base. He retired from the Marine Corps in August 1992 after more than 31 years on active duty.

After his retirement from the Marine Corps, he was a consultant to the U.S. House of Representatives, House Appropriations Committee, and to Textron Inc. He became Director, Personal and Family Readiness Division, Manpower and Reserve Affairs Department, Headquarters Marine Corps, on May 1, 2000.

In addition to the Silver Star Medal, his personal decorations and awards include the Distinguished Service Medal; Purple Heart; Defense Meritorious Service Medal; Combat Action Ribbon; Presidential Unit Citation, with bronze star; Meritorious Unit Commendation, with two bronze stars; and the Vietnamese Cross of Gallantry with palm.

He is married to the former Martha Leigh Puller, of Saluda, VA. They have two sons, Mike Jr., and Burwell.

Chairman McHugh, Congressman Snyder, Members of the Subcommittee:

It is a distinct pleasure to have this opportunity to appear before you today to discuss the welfare of our Marines and their families. As the Total Force Subcommittee assumes its responsibilities for this vitally important area, we would like to thank you for your commitment to the welfare of all Service Members and their families and your promise of continuance of the strong oversight and support provided previously by the Morale, Welfare, and Recreation (MWR) Panel.

As we speak today, the Marine Corps is indeed busy, with 63 percent of operating forces forward deployed and almost 90 percent either deployed, forward stationed, or forward based. As such, concerns for the welfare of Marines and their families are appropriately placed at heightened levels. The time, energy, and effort exerted by all involved cannot be minimized. You can be confident, however, that those responsible for "taking care of Marines and their families"--at home or away--are not confused as to their mission or the importance of what they do--this is integral to the Marine culture. Installation commanders continuously gauge community service levels from which informed decisions are made to respond to changing needs.

SUPPORT FOR DEPLOYED MARINES AND THEIR FAMILIES

As an expeditionary force, we are accustomed to providing extended support. The Marine Corps possesses a strong community support backbone that is well established at our major bases and stations. We serve the needs of Marines and families at home and away through an organizational construct that combines MWR, exchanges, family services, and voluntary education under a single leadership structure called Marine Corps Community Services (MCCS). MCCS is a combined arms community support organization that offers a diverse and expansive

capability from which to draw personal and family readiness support. The single leadership structure of MCCA allows the commander to cut across previous program stovepipes. Removing the barrier and burden of stovepipes has allowed our commanders greater flexibility and encouraged development of true community-based interventions, programs or services. Finally, MCCA is easily adaptable to serve the mobility requirements of an expeditionary force.

You have probably had the pleasure of reading news reports that pertained to comments of deployed Marines with Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) as to what they are doing and descriptions of their living conditions. Marines have an endearing manner of keeping upbeat even in trying circumstances. In deployed environments, a Marines' expectations for support are linked to their mission requirements. The benefit of MCCA programs is greatly amplified during times of conflict. The involvement of our commanders in all program areas ensures that MCCA serves Marines and families in keeping with local differences and realities.

Deployed Marines are provided support in accordance with operational commander-identified requirements. Recreation and leisure support to embarked Marines can include large scale items such as weights, cardiovascular machines, TVs, VCRs, computers, CD players, "theaters in a box", and camcorders but also a variety of smaller scale items such as sports equipment, electronic games, playing cards, games, books, and magazines. For OIF (as of March), five Marine Corps Exchange (MCX) Tactical Field Exchanges (TFEs) have been established in Southwest Asia in partnership with the Army and Air Force Exchange Service (AAFES). Sixty-three exchange Military Occupational Specialty (MOS) Marines and AAFES associates operate the TFEs. Prior to open hostilities, we were providing support off the back of seven-ton trucks and General Purpose (GP) medium tents to the front line camps. AAFES has

been an extremely supportive partner in this process and we truly appreciate their efforts. The current contingencies have once again validated the Marine Corps' decision to retain an MOS qualified contingent to operate TFEs. Support for the most forward deployed Marines in the OIF theater would not be possible without this force capability.

During deployments, Marine families bear the burden of waiting but also the added responsibility of keeping the family together and functioning as normally as possible. This is a big job, but help is available. At each of our bases or stations, the Key Volunteer Network (KVN) Program serves as the official communication link between the deployed command and the families. Additionally, the Lifestyle Insights, Networking, Knowledge and Skills (L.I.N.K.S.) Program is offered to new Marine spouses to acquaint them with military lifestyle and the Marine Corps, including the challenges brought about by frequent deployments. To connect families and provide information, special deployment support links have been built on Marine Corps web sites and 24-hour hotlines have been made available for family members.

Local communities outside our installations' gates can be significantly impacted by Marine deployments. Beyond expected sales and revenue declines experienced by local businesses, Marines and family members who live outside the gates often immerse themselves in the community by volunteering as coaches, scout leaders, fire fighters, etc. For this reason, local businesses or community service organizations feel very connected to the Marines and their families and want to help. At Camp Lejeune where over half of the troops are currently deployed, MCCA is working with the Chamber of Commerce and the local community on *Project CARE* which seeks to match military families with services in the local community. *Project Enduring Families* are partnerships between MCCA and the communities surrounding Twentynine Palms and Miramar that are working to help families maintain daily routines and

stay connected to the community. Some other examples of MCCS activities during this current deployment include: provision of more varied and flexible child care options; respite care; special events for families; free postage and packing (up to 10 pounds) of gift items for deployed troops; and offering deployed spouses free tire repairs at the Exchange Service Station.

We are very proud to be the Department of Defense (DOD) pilot for implementation of an employee assistance program. *MCCS One Source* is a 24/7, 365 day per year information and referral service designed to reach both active duty and reserve families wherever they may be located. It can be accessed anytime via toll free numbers, email or the Internet. The support areas include parenting and child care, education services, financial information and advice, legal, elder care, health and wellness, crisis support, and relocation. We're excited about the reality of extended support capabilities and how this will contribute to the well being of Marines and their families.

Regarding appropriated fund (APF) support for MWR activities during these deployments, we have currently experienced only funding slippages from the third to fourth quarter. It is too early to tell the impact on nonappropriated funds (NAF) generation. We do know that commands with major troop deployments are experiencing decreased sales of anywhere from 5-40 percent. A protracted deployment at current levels will clearly have a detrimental impact on NAF generation, and will likely reduce the availability of APF. If MWR APF is reduced to pay for the cost of war and our ability to generate NAF is further impacted, significant trade-offs will be required and program operations diminished. In this instance, Marine Corps MWR will utilize available APF to operate high priority programs/services and identify deficiencies to appropriate channels. In the case of authorized NAF expenditures/requirements, cost management activities will be broadly employed and cash

reserves may be utilized to sustain high priority requirements. If necessary in extreme cases, our central construction program may be reduced or postponed to fund contingencies.

In challenging and ordinary times, the MCCC capability begins with our over 13,000 employees around the world. Their mission is simple—"to take care of Marines and their families". Through their efforts, we shape and scope programs to meet customer needs. The key to successful program design begins with an understanding of the Marine Corps demographics—those whom we serve.

MARINE CORPS DEMOGRAPHICS

The Marine Corps' active duty endstrength of approximately 175,000 is the youngest, most junior, and least married of the four Military Services. Approximately 66 percent of Marines are 25 or younger, and 27 percent are not yet 21. Approximately 42 percent of Marines are Lance Corporals (E3) or below compared to Sister Services at about 25 percent. Only 40 percent of enlisted Marines are married (44 percent overall). Further analysis of married enlisted Marines indicates that 19 percent of Privates and Lance Corporals are married compared to 51 percent of Corporals and Sergeants, and 84 percent of Staff Non-Commissioned Officers. The average age for a married enlisted Marine is approximately 28. Approximately 5,300 Marines, or about 5 percent of single Marines, are single parents; the lowest rate among the Services.

The Marine Corps is made up of approximately 50 percent active duty personnel and 50 percent family members compared to 40 percent and 60 percent, respectively, for the other Services. Marine Corps families are also younger than those of the other Services. Just under 40 percent of Marine spouses are 25 and younger, and the average age of a Marine at the birth of his/her first child is approximately 23. Understanding all of these aspects of Marine Corps

demographics helps us to identify needs and target support that is balanced between young/old and married/single.

With over two thirds of our population serving in first term enlistments and under the age of 25, it's important to understand why they became Marines. Marine Corps Recruiters are seeking young men and women who will embrace and live by the Marine Corps values of honor, courage, and commitment. There are five factors influencing American teenagers today: media, technology, baby boomer parents, the new economy, and the education revolution. This new generation has seen the inception of *CNN* and *USA Today* and has had a computer from 1st through the 12th grade. They are accustomed to instantaneous and constant flashes of information. Information is power and today's generation is strengthened by the information received through the revolution of the Internet. Teenagers today have known little hardship or strife. The birth of this generation coincided with America's largest, unprecedented, economic expansion. The education revolution means that opportunities for college have never been better with 65-75 percent of today's high school graduates going straight to college.

The critical generational characteristics of America today provide needed insight to our recruiters and MCCS program planners. We also gather vital customer feedback on the local and national levels. From this research, one clear point dominates: the expectations of Marines today, not to mention American society as a whole, far exceed those of the generations that preceded them. The Marine Corps will continue to be challenged in this regard as the American standard of living continues to soar. Understanding and addressing expectations keeps us on our toes and ensures that we stay connected, provide relevant programs, and maintain our leading edge.

RELEVANT PROGRAMS

As the President's Management Agenda prescribes, the work of the Federal Government must be measurable. We know that quality of life (QOL) programs have objective and subjective relevancy and value that can sometimes be hard to measure. The Marine Corps, however, through its implementation of Activity Based Costing/Management (ABC/M) has been working to quantify performance management metrics to determine successful program delivery and validate resource expenditures. We have a ways to go to ensure appropriate metrics and hierarchy, but for today, we are working towards the following outcomes for MCCS:

(1) Provide valued goods and services; (2) Enable healthy lifestyles; (3) Contribute to family readiness; (4) Promote lifelong learning; (5) Support the growth of responsible citizens; and (6) Help connect Marines and families relocating and transitioning. Marine Corps Exchange and MWR activities as well as the other miscellaneous community support activities of MCCS are jointly focused to help achieve these outcomes.

To help Marines and families and fulfill our "take care" role, we must be cognizant of our demographics; conduct program assessments including customer satisfaction surveys; leverage our organizational assets for accomplishment of the mission; and maintain good fiscal stewardship by seeking opportunities to enhance operations by improving operational efficiency and achieving economies of scale sufficient to lower costs. Throughout the rest of the statement, I will highlight some of the exchange and MWR strategies associated with meeting our customers' needs while achieving optimum efficiency.

MARINE CORPS EXCHANGE (MCX)

Exchanges serve as community hubs, providing an important connecting point for military communities. Because MCX is part of the Marine Corps brand, it represents a bond

with Marines. Like the "eagle, globe, and anchor", it is a marker of loyalty and creates a sense of ownership.

What our Customers Said...

A retail truism is that everyone thinks they understand the needs of the customer better than the store manager. Everyone has retail shopping experience and, therefore, is an expert. What is perhaps under appreciated is that the manager is trying to meet the needs of the Boomer, Xer, and millennial, simultaneously. The truth is we appreciate all feedback regarding ways to improve "their Marine Corps Exchange". We actively employ survey instruments such as the Customer Satisfaction Index (CSI) and Associate Satisfaction Index (ASI) Surveys to measure customer and associate satisfaction at our main stores. The surveys allow us to make decisions based on objective data versus subjective ideas or emotion. In FY 2001, we experienced a drop in customer satisfaction scores from FY 2000 of 3 percent. This sounded a call to action for our exchanges. We're happy to report that the CSI results for 2002 increased by 6.1 percent over our 2001 findings and our ASI results increased by 5 percent. While delighted with this increase and the associated efforts and initiatives to improve satisfaction, the wake-up call in 2001 was very important to us. We renewed our commitment to improvement through the development of store and corporate action plans to address shortcomings and better meet customer expectations. For example, the 2001 CSI survey results showed a decline in customer satisfaction in the area of pricing and merchandising selection. Customers indicated a desire for lower pricing and a broader selection of merchandise in all categories. In response to this decline, the MCX took immediate action that resulted in a dramatic increase for both of these areas in the 2002 CSI.

It's What They Want--Pricing and Value...

The MCX, 7-Day Stores, Barber Shops, Dry Cleaners, Uniform Shops, vending operations, etc., provide goods and services that are competitively priced, valued, and in the case of low or fixed income individuals or families, depended upon for basic standard of living needs. We have worked hard on our competitive pricing and value strategies. We expanded our 4 Star Program, which groups about 150 key items targeted at cost-conscious customers like young married Marines with families and retired Marines on fixed incomes. Basics such as five pocket jeans for boys, girls, men and women; name-brand kitchen essentials such as mixers and irons; and electronics such as entry price point TVs and DVDs are specially purchased to ensure high quality and value for these demographic groups. 4 Star items are readily accessible and always in-stock to ensure customer satisfaction. The Exchange Select line is a new generic product program in partnership with NEXCOM and AAFES that offers health and comfort, cleaning, baby products and film. These products have active ingredient content comparable to brand-name equivalents.

On the other hand, our single Marines, our largest demographic group, like to keep up with the latest trend and brand as much or even more than their civilian peers. They like to shed their uniform during off duty hours and wear the latest in fashion trends and names, listen to the finest sound system in their barracks and cars, and buy their significant others a quality memento as they deploy. To meet these demands, we strive to sell name-brand merchandise for less and provide a price match guarantee on identical items advertised at a lower price by local competitors.

Beyond the MCX, our other retail activities like barber shops, dry cleaners, auto service centers, u-hauls, florists shops, etc., round out the basics needed for Marine Corps living and are

priced for excellent savings to the patron. Through these activities, we not only provide retail value, but a dividend is also produced to ensure MWR value, too.

The Military Star Card allows participating Marines and their families to have the best and most competitive interest rate on the market to ensure that credit purchases do not result in an erosion of value. Further support to the deployed Marine includes MCX participation in the lowered Star Card interest rate, enabling deployed Marines to have a reduced interest rate of six percent with no payment and continued use of the card during the deployment period, or zero interest with no payment and no use of the card during the deployment.

Armed Services Exchange Regulation (ASER)—Impact on Marines and Families...

We would like to thank Congress for lifting some of the ASER merchandise restrictions over the last several years. As a result, we are better able to meet the desires of our customers. For example, annual sales of 35" or larger TVs amounted to over \$1 million. Remaining restrictions on large screen, projection televisions and items such as furniture and diamonds, preclude accomplishment of our full service customer goals. As an example, we have observed a "stay at home" phenomenon. Our patrons are forgoing vacations for a variety of reasons and spending their discretionary dollars on improving their home lifestyle.

Buying Modernization...

Providing competitive prices and value depends on our ability to leverage organizational capacity and become efficient knowledge managers. MCCS has two major efficiency-enhancing initiatives simultaneously underway in our exchanges: implementation of a modern and compatible retail merchandising system and the transition to centralized retail buying. The new merchandising system has been implemented at three commands with an additional three slated for the remainder of FY 2003. We have successfully established the centralized buying program

for Camp Allen (formerly Camp Elmore), Henderson Hall, Albany, and Miramar. Centralized buying for the remainder of our exchanges will rollout over the next two years in tandem with the implementation of the merchandising system. The gains from centralized buying are real; system-wide cost savings through leveraged buying, and improved stock assortments are being achieved as exchanges come online. We are able to order and process merchandise more efficiently with fewer overall buyers while maintaining better in-stock positions on merchandise. When tied with our new merchandising system, we gain price look-up capability, which saves customers' time at checkout and provides great efficiencies in the area of receiving. The merchandising system is fully integrated with our finance, electronic point-of-sale, and open-to-buy systems. When we complete this initiative (early in 2005), our retail system will be in line with modern industry standards and we will be more competitive in today's aggressive retail market.

MORALE, WELFARE AND RECREATION

The challenges of military lifestyle such as relocation, transition, and deployments are soothed by the comforts and familiarity of hometown, USA support. Our MWR activities provide that reminder of home and family, and wholesome fun. This is particularly important during periods of deployment when so much is uncertain and separation causes anxiety for the Marine and family member.

Semper Fit—physical fitness, injury prevention and health promotion...

Our 53 primary Semper Fit Centers are equipped with progressive resistance exercise machines, various free weight equipment items, cardiovascular workout machines, and warm-up/cool down areas that are professionally managed by trained certified fitness personnel during all hours of operation. Overall, the Marine Corps complies with 98 percent of the Department of

Defense's (DoD) standards for fitness facilities with six Marine Corps installations meeting all of the DoD demanding standards. We are continuing to work on those facilities that still have heating, air conditioning and ventilation inadequacies, and/or fail to meet the DoD staff-to-customer ratio standards.

The Marine Corps' concept of fitness, however, encompasses far more than barbells, weight rooms and basketballs; much more than working out at the gym or gearing up for the twice-yearly Physical Fitness Test (PFT). Through various partnerships, we have expanded our Semper Fit program parameters beyond traditional MWR physical fitness definitions and capabilities to address warrior athlete needs such as injury prevention and health promotion. To reduce the incidence and severity of musculoskeletal injuries, we have partnered with Navy's Bureau of Medicine (BUMED) to establish an institutionalized approach to injury prevention. Our approach is to track actual injury experience and analyze the results for trends. The trends will provide insight on what is needed for injury prevention, early detection, treatment, and reconditioning. Specific interventions will then be developed and administered by a certified athletic trainer. We'll be testing the concept through various pilot programs but believe our efforts will help to reduce attrition and lost work days associated with musculoskeletal injuries. To make required health promotion training easier to access, we have partnered with the Marine Corps Training and Education Command to develop a distance learning program for such requirements and to make information on nutrition, hypertension, tobacco cessation, etc. more accessible and therefore easier to complete.

Marine Corps Clubs—Contributing to Marine Corps Socialization...

Marine Corps clubs are an important part of our traditions and culture. They support command functions and traditional military events while providing a convenient venue for

Marines' social interaction. Even though challenged by today's economy and installations' heightened threat conditions, MCCS continues to improve the financial viability of clubs. Our 57 clubs generated \$47.7 million in sales in FY 2002 and achieved a 7.9 percent profit to sales margin. We are investing in the construction and renovations of club facilities, décor, and equipment that are contributing to a resurgence of interest in our clubs. Increasing programs, services, and special events are giving Marines reasons to use the clubs more often. The first Marine Corps-wide club promotional event, "Super Bowl Bash", was held in 2002. The promotion, which sent a lucky patron to the Super Bowl in San Diego, generated increased interest and participation in the clubs. We plan to add additional system-wide promotions in the coming year.

Temporary Lodging

Our 14 Temporary Lodging Facilities (TLF) provide authorized patrons with great value and quality service. With our average facility occupancy rate of 87 percent, TLFs also provide a positive financial return to MCCS.

We have embarked on a strong recapitalization program for our TLFs. One hundred and twenty-two additional rooms opened this past year and 100 more rooms are in the construction process. Additionally, 24 rooms at MCB Hawaii and 64 rooms at MCB Pendleton were recently renovated or are under renovation. This brings our total inventory to 947 quality rooms available for Marines by FY 2005.

Auto Skills Centers...

The Marine Corps' 23 Auto Skills Centers offer Marines and their families an opportunity to maintain and repair their vehicles themselves in well-equipped facilities under the guidance of qualified mechanics. By having these centers, our installations are able to restrict

"shade tree" mechanics, that may have oil spills or dispose of environmentally hazardous material improperly. Most of all, Auto Skills Centers teach a necessary life skill and can save the user money. Particularly during deployments, a functioning and safe vehicle is vital to the health and welfare of the family. Auto Skills Centers provide family members with supervised self-help for car maintenance or repair that helps them keep their car safely on the road. When they use the Auto Skills Center, Marines and their family members can save \$15.00 by changing oil at an Auto Skills Center compared with a commercial provider, \$50 for a tune-up compared with a specialty tune-up center, and \$150 when changing brake pads and drums compared with a chain auto center. We have begun to track these savings at two Auto Skill Centers and are in the process of expanding this throughout the Marine Corps so that we can capture the cost-saving benefits of the program.

Single Marine Program...

As I noted earlier, almost 60 percent of enlisted Marines are single and approximately 66 percent are under the age of 25. As with any generation, they have traits that are positive and negative. From our research, members of this generation are used to special treatment; have a materialistic focus; are independent and vocal; have been sheltered but are also optimistic, confident, and tolerant. They are team oriented, conventional or traditional in nature, but also skeptical. The Single Marine Program (SMP) taps into this new generation by supporting single, enlisted Marines, 18-25 years of age, and unaccompanied married Marines in overseas locations. The SMP addresses the specific traits of this customer group through the following programs that build awareness or teach skills in the following areas: community involvement, life skills, health and wellness, recreation, and career progression. Single Marines apply the knowledge or skills gained to improve the overall living conditions of their base or local community. As an example,

many of our base SMPs are involved in community support efforts such as Special Olympics, Toys for Tots, Adopt a School programs, chaplains' community programs, food drives, beach cleanups, veterans and nursing home visits, local youth programs/events, and other volunteer activities that teach the rewards that come from service to others.

Building Strong Youth...

The MCCS Children, Youth and Teen Program (CYTP) provides a valued benefit and helping hand to Marine Corps families as they address the challenges of the mobile military lifestyle. The CYTP is a safe, professional, affordable and quality care provider.

With the institution of the Military Child Care Act in the 1990's, the Marine Corps and other military programs became the standard bearer for quality care. Our shared focus on quality has clearly influenced commercial and public centers and programs, thereby serving to increase the overall state of child care in the United States. Accreditation is vital to this standard for quality. All Marine Corps Child Development Centers (CDCs) are either certified or completing the necessary application process for reaccreditation.

The Marine Corps projected need for child care spaces is 20,051. DOD currently requires the Services to meet 65 percent of this need, in our case 13,033 spaces. DOD has established a requirement that the Services increase the availability of spaces so as to meet 80 percent of this need by 2007. The Marine Corps currently has 12,662 child care spaces, which meets 63 percent of our total need. Meeting 80 percent will require us to have 16,040 spaces by 2007. Our current plan to increase child care spaces includes: evaluating possible military construction projects to increase CDC spaces; reconfiguring current CDC rooms to maximize utilization of existing space; increasing the number of in-home Family Child Care (FCC) providers on- and off-base; moving school age care from CDCs to other facilities such as youth

centers and schools to increase availability of CDC space, and expanding off-base partnerships through buying down of civilian spaces. It should be noted that the number of on-base in-home providers has leveled off and some installations have even seen the number of providers decline. In addition, while working with off-base civilian centers has merit, the existing requirement that off-base centers be DOD-certified and nationally accredited could present an obstacle as only approximately 10% of civilian centers are currently nationally accredited.

Beyond the above mentioned exchange and MWR programs, MCCS provides key family support services like family advocacy, new parent support, substance abuse prevention/intervention, relocation and transition assistance, and family member employment services that contribute to family readiness. We additionally provide opportunities for lifelong learning such as tuition assistance, journeyman accreditation, etc., aboard bases and stations.

EXCHANGE AND MWR FY02 FINANCIAL POSITION

For FY 2002, estimated sales from our retail system (merchandise, gas, services) are \$668 million, a same store increase of 5 percent from FY 2001. The estimated net profit is \$49 million as compared to \$43 in FY 2001. After retained earnings, a dividend of \$34.5 million, or \$219 per Marine, was returned to MCCS to fund programs and facility requirements needing support such as auto skills centers, unit funds, free movie theaters, marinas, and youth sports programs. The dividend this year is an increase over last year's dividend of \$30 million, or \$202 per Marine. Our retained earnings are used for recapitalization of our exchange facility and information management system requirements.

Sales for MWR activities were \$165 million, an increase of 9 percent from FY2001. The estimated net profit was \$3.5 million compared to \$3 million for FY01. After paying all program costs, the MCCS retained earnings of approximately \$8 million for the same period.

Turning to our APF execution and MWR NAF, the Marine Corps continues to place tremendous emphasis on meeting the MWR APF Category A and B percentages of 85/65 and we remain committed to achieving both of these goals by FY 2004. Since FY 2000, APF support of Category A has increased from 76 percent to 86 percent, and APF support for Category B has increased from 52 percent to 58 percent. We have worked hard to improve our APF execution and will continue to do so.

In FY 2002, we concentrated on significantly raising the APF execution percentage for Category A programs. As a result, our Category A percentage rose to 86 percent from 82 percent in FY 2001. The Category B percentage of APF support decreased from 59 percent in FY 2001 to 58 percent in FY 2002, however, the Marine Corps has budgeted additional funds through FY 2004 to support Category B programs and to further enhance Category A programs. We will reach our 2004 goal by continuing to increase APF direct support while strictly limiting program growth, and thus reducing NAF support in relation to APF support increases.

FACILITIES MODERNIZATION

Our NAF construction program delivers on the promise that Marines and their families will have attractive, modern, and high-quality exchange and MWR facilities. Our construction program is well structured and stable, and we continue to plan aggressively to build and renew needed resale and MWR facilities over the next several years. MCCS capitalizes its NAF facilities through an annual 2.5 percent assessment on sales of our exchanges, contracted activities, revenue producing MWR programs, and a 21 percent assessment of overseas gaming machines net profit. Together, these resources provide approximately \$20 million per year to meet both resale and MWR NAF facility needs. Historically, approximately 45 percent of the

assessment has been devoted to exchange projects, while the remainder has been directed to MCCA recreation, leisure, and other QOL facilities.

Deciding which projects to build is a very inclusive process, involving installation commanders and their overall Master Plan for the base/station; a field commander-based construction committee; and ultimately the MCCA Board of Directors that approves our annual construction program. In addition, third party, independent Project Validation Assessments (PVAs) are conducted on all NAF construction projects over \$1 million. These assessments typically include demographic information, traffic studies, patron focus groups and surveys; all of which help determine specific requirements for facilities. In many cases, we find the recommendations from a PVA will significantly adjust the original scope of the facility that was based on generic sizing criteria. The information allows us to take more factors into consideration to make better business-based decisions.

The MCCA Board of Directors approves a five-year NAF Construction Program, which as you know includes projects that must be approved by DOD and Congress as well as smaller projects and recapitalization efforts. For FY 2001-2005, the Board approved-program is approximately \$95 million and anticipates the construction or renovation of 24 resale and 32 MWR facilities. For FY 2002, the Board approved 4 projects at a cost of \$14.9 million, one of which was exchange related. The Board-approved program for FY 2003 contains 15 projects, at a cost of \$31.4 million, of which 7 are exchange related. We are committed, Mr. Chairman, to a modern physical infrastructure.

We believe another effective method of providing the facilities and services desired by Marines and their families is to partner with the private sector. To encourage the use of Public/Private Ventures (PPVs), the MCCA Board of Directors recently approved a change in our

assessment policy. With this change, we will now assess new PPVs on the commission received instead of on sales. This change will incentivize our installations to seek a variety of new businesses, which may not offer high commission percentages.

We also have been fortunate to be able to construct needed Category A and B (Child Development Centers) facilities through Military Construction appropriations over the past six years. Between 1998 and 2003, we will have constructed or added to seven fitness facilities – at MCB Camp Pendleton in FY 1999 and FY 2002; at MCB Camp Lejeune in FY 2000 and FY 2003; at MCRD San Diego in FY 2000; and at MCB Quantico and MCAS Miramar in FY 2001. In the same period, six child development centers have been constructed or expanded – at MCB Camp Pendleton in FY 1998; at MCAS Cherry Point and Marine Corps Logistics Base (MCLB) Albany in FY 1999; at MCB Camp Lejeune in 2001; at MCAS Beaufort in FY 2002; and at MCAS Yuma, FY 2000. In addition, a Personal Services Center was constructed at MCAS New River in FY 2000, and there are three projects for significant community services enhancements at the Marine Barracks, 8th and I Streets, which will greatly improve the QOL of Marines there. We are especially appreciative of the commitment of Congress and DOD to QOL that has resulted in these truly needed facilities, and will continue to pursue additional much-needed APF QOL capitalization projects.

EFFICIENCY AND EFFECTIVENESS

The President's Management Agenda calls on all parts of the government to operate as effectively and efficiently as possible, and to look for ways to improve how we do business. MCCA is no different and we have tools in place to keep us from becoming an unwieldy bureaucracy. As we experience our fifth year of operation as MCCA, our concept of a combined QOL organization continues to be appropriate and relevant for the Marine Corps. MCCA

enables the Marine Corps to not only generate revenue and use it more effectively to support programs and capitalization, but also to offer a more robust set of programs and services in support of Marines and their families. These efficiencies are important to our success and all the more essential during these challenging times for America and its men and women in uniform.

As I mentioned, we use performance management tools to tie our programs to the mission and outcomes of the Marines Corps. Tools such as Functionality Assessments (FA) and Activity Based Costing/Management (ABC/M) help us to increase our performance management. FAs focus on core mission competencies and mission requirements and accomplish/address: 1) standardization; 2) best practices; 3) performance measures; 4) automation; 5) definitions and policies; 6) redundancies; and 7) baselines. ABC is a cost assignment method that links the products and services with the consumption of resources. It is an intuitive way of structuring an organization's expenditures in order to provide decision makers with valuable information of how the process consumes resources. ABM uses the data derived from the ABC models to improve the condition of an organization through activity management, process mapping, waste elimination, cycle-time reduction, and continuous improvement.

Exchange cooperative efforts are another excellent way to leverage the strengths of each Service while retaining the benefits of the Services' individual exchange systems. The Marine Corps currently participates in over 60 cooperative efforts with our Sister Services. The Exchange Cooperative Efforts Board (ECEB) meets at least semi-annually to review progress of Board-established Exchange Cooperative Working Groups (ECEWG). The Marine Corps/AAFES agreement in support of OIF is a prime example of better service through cooperation.

Another way we are improving our efficiency and effectiveness is through system modernization. Almost all of our MCCS programs and support areas have or will soon have state-of-the-art information management capabilities. We have improved our "back office" operations and the online training we provide to our personnel. In addition, we have expanded our program delivery portals to our Marines & families with resources like *MCCS One Source*. We have been working since 1990 to implement systems that support our business operations and we continue to move those systems modernization and integration initiatives forward.

THE PEOPLE OF MCCS

None of the programs and services that I have discussed would be possible without the hard work and dedication of the over 13,000 MCCS employees working everyday to support Marines and their families. The MCCS mission is to recruit, develop, and retain a quality workforce to provide products, services and world-class customer service. All regular full-time and part-time NAF employees are eligible for enrollment in the MCCS benefits program including medical, dental, and vision insurance; life insurance; and a retirement program that includes a defined benefit plan (Group Retirement Plan) and a defined contribution plan (401(k)). We actively pursue enhancements to these programs to ensure the benefits package is competitive in recruiting and retaining professional employees. In addition to a competitive benefits program, MCCS provides its employees with the training and development necessary to support and enhance the MCCS strategic goal of creating career development programs that will provide opportunities for personal, professional and organizational growth. The plan focuses on developing MCCS leaders by providing comprehensive programs designed to enhance quality leadership, management decision-making, and human resources skills and abilities.

Some of the "back-office" modernization efforts that I mentioned included two major systems to support our NAF employees. We replaced a decentralized legacy human resources system that was too costly to continue to upgrade and support with well-known, commercial-off-the-shelf products by PeopleSoft. The two new systems are designed to help MCCS field activities provide better pay and benefits support for NAF employees, and to better manage employee pension accounts.

CONCLUSION

Mr. Chairman, taking care of Marines and their families is a cultivated, point of pride of the Marine Corps; it is part of our ethos. Our continuum of care begins with the "yellow footprints" and continues throughout the life of a Marine. Marines are Marines for life. Legendary hallmarks of "Once a Marine...always a Marine" and "Semper Paratus" prove our long-term commitment and provide convincing testimony from Marines that they are forever changed and a part of a "society" that is sustained through self-perpetuation and a shared culture.

We know more today than we ever have about the demographics and needs of Marines and their families. As the Commandant has charged all Marines, we will proceed with boldness, intellect, and confidence in our mission. We will use our knowledge of Marines and their families to forge an even stronger compact that continues to support the legacy of taking care of our own. I would like to thank this subcommittee and the Congress as a whole for the unwavering support you provide to our men and women in uniform and their families. Marines and their families are worthy of your time and attention. They perform a great service for this Nation and deserve a quality of life that recognizes that commitment. Your ongoing support will make it possible for MCCS to continue to provide the type of programs and services for our

Marines and their families that make it easier for Marines to serve our Nation in every corner of the world.

Subject to your questions, Mr. Chairman, this concludes my remarks.

DEPARTMENT OF THE AIR FORCE

**PRESENTATION TO THE HOUSE ARMED SERVICES COMMITTEE
TOTAL FORCE SUBCOMMITTEE**

SUBJECT: Morale, Welfare, and Recreation Programs and Resale Activities

STATEMENT OF: Michael E. Zettler, Lieutenant General, USAF
Deputy Chief of Staff, Installations & Logistics
United States Air Force

April 2, 2003

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES



BIOGRAPHY

UNITED STATES AIR FORCE

LIEUTENANT GENERAL MICHAEL E. ZETTLER



Lt. Gen. Michael E. Zettler is Deputy Chief of Staff for Installations and Logistics, Headquarters U.S. Air Force, Washington, D.C. General Zettler is responsible to the Chief of Staff for leadership, management and integration of Air Force civil engineering, communications operations, services, supply, transportation, maintenance, and munitions policies and resourcing to enhance productivity and combat readiness while improving quality of life for Air Force people.

General Zettler received his commission in July 1970 after completing the Air Force ROTC program as a distinguished graduate. He has held various assignments in the maintenance, logistics and programming fields at the squadron, wing, center, major command and Air Force headquarters levels, and command positions at the squadron and wing levels.

EDUCATION:

- 1970 Bachelor of arts degree in chemistry, University of Cincinnati, Ohio
- 1976 Squadron Officer School, Maxwell Air Force Base, Ala.
- 1979 Air Command and Staff College, Maxwell AFB, Ala.
- 1982 Armed Forces Staff College, Norfolk, Va.
- 1984 Master of science degree in management, Troy State University
- 1986 Industrial College of the Armed Forces, Fort Lesley J. McNair, Washington, D.C.
- 1991 Defense Systems Management College, Fort Belvoir, Va.
- 1994 Senior Managers in Government Course, Harvard University, Cambridge, Mass.
- 1996 Capstone Course, National Defense University, Fort Lesley J. McNair, Washington, D.C.

ASSIGNMENTS:

1. July 1970 - February 1971, student, aircraft maintenance officer course, Chanute AFB, Ill.
2. February 1971 - August 1972, officer in charge, Organizational Aircraft Maintenance Unit, 429th Tactical Fighter Squadron, later, officer in charge, Aerospace Systems Branch, 474th Field Maintenance Squadron, Nellis AFB, Nev.
3. August 1972 - March 1973, officer in charge, Tactical Electronic Warfare Maintenance Branch, 6498th Organizational Maintenance Squadron, Da Nang Air Base, South Vietnam
4. March 1973 - August 1973, job control officer, 8th Tactical Fighter Wing, Ubon Royal Thai Air Force Base, Thailand
5. August 1973 - May 1974, squadron aircraft maintenance officer, 58th Organizational Maintenance Squadron, later, officer in charge, Management Administration Branch, 58th Tactical Fighter Training Wing, Luke AFB, Ariz.

6. May 1974 - July 1977, F-15 logistics project officer, later, F-15 maintenance staff officer, 58th Tactical Fighter Training Wing, Luke AFB, Ariz.
7. August 1977 - August 1978, maintenance staff officer, Air Staff Training Program, and F-4 aircraft program manager, Directorate of Maintenance and Supply, Deputy Chief of Staff for Logistics and Engineering, Headquarters U.S. Air Force, Washington, D.C.
8. August 1978 - July 1981, Chief, F-16 Aircraft Maintenance Branch, Directorate of Maintenance Engineering, Deputy Chief of Staff for Logistics, Headquarters Tactical Air Command, Langley AFB, Va.
9. July 1981 - February 1982, student, Armed Forces Staff College, Norfolk, Va.
10. February 1982 - July 1985, maintenance supervisor, 36th Equipment Maintenance Squadron, later, aircraft maintenance supervisor, later, Commander, 36th Aircraft Generation Squadron, Bitburg AB, West Germany
11. August 1985 - June 1986, student, Industrial College of the Armed Forces, Fort Lesley J. McNair, Washington, D.C.
12. July 1986 - June 1988, F100 Engine Program Manager and Chief, Fighter Propulsion Systems Division, San Antonio Air Logistics Center, Kelly AFB, Texas
13. July 1988 - June 1990, Chief, Resources Division, Deputy Chief of Staff for Programs and Resources, Headquarters U.S. Air Force, Washington, D.C.
14. July 1990 - July 1991, Deputy Commander for Maintenance, 8th Tactical Fighter Wing, Kunsan AB, South Korea
15. July 1991 - December 1991, student, Defense Systems Management College, Fort Belvoir, Va.
16. January 1992 - July 1993, Director of Technology and Industrial Support, later, Director of Aircraft Programs, Oklahoma City ALC, Tinker AFB, Okla.
17. July 1993 - June 1995, Associate Director for Logistics Resources, Directorate of Supply, Deputy Chief of Staff for Logistics, Headquarters U.S. Air Force, Washington, D.C.
18. June 1995 - February 1997, Commander, 82nd Training Wing, Sheppard AFB, Texas
19. February 1997 - April 1999, Director of Maintenance, Deputy Chief of Staff for Installations and Logistics, Headquarters U.S. Air Force, Washington, D.C.
20. April 1999 - April 2000, Commander, Oklahoma City ALC, and Installation Commander, Tinker AFB, Okla.
21. April 2000 - present, Deputy Chief of Staff for Installations and Logistics, Headquarters U.S. Air Force, Washington, D.C.

MAJOR AWARDS AND DECORATIONS:

Distinguished Service Medal
 Legion of Merit with oak leaf cluster
 Meritorious Service Medal with four oak leaf clusters
 Air Force Commendation Medal with two oak leaf clusters
 Air Force Outstanding Unit Award with "V" device and three oak leaf clusters
 Air Force Organizational Excellence Award with two oak leaf clusters
 National Defense Service Medal with service star
 Vietnam Service Medal with service star
 Air Force Overseas Ribbon - Short with oak leaf cluster
 Air Force Overseas Ribbon - Long
 Air Force Longevity Service Award Ribbon with six oak leaf clusters
 Small Arms Expert Marksmanship Ribbon
 Air Force Training Ribbon
 Republic of Vietnam Gallantry Cross with Palm
 Republic of Vietnam Campaign Medal

EFFECTIVE DATES OF PROMOTION:

Second Lieutenant Jul 1, 1970
First Lieutenant Jan 1, 1972
Captain Feb 1, 1974
Major Jul 1, 1980
Lieutenant Colonel Mar 1, 1984
Colonel Aug 1, 1989
Brigadier General Aug 1, 1995
Major General Jun 1, 1998
Lieutenant General Jul 1, 2000

(Current as of December 2002)



Mr. Chairman and members of the Total Force Subcommittee, I am honored to appear before you today. Your invitation came addressed to me as Chairman of the Commissary Operating Board, but the Army and Air Force Exchange Service (AAFES) and our Air Force Services activities are also meeting the worldwide needs of commanders and the entire military community. The fine young men and women who depend on all these activities, along with the employees who serve them, join me in thanking the former MWR Panel for their support over the past year, and look forward to working with this Subcommittee in the future. I know you appreciate how important these activities are to the troops, and will continue to make sure that the quality of life needs of the military community receive adequate attention.

Exchanges, commissaries, and MWR programs are part of a robust compensation package that rewards service, enhances our troops' standard of living, and ensures a high quality of life. Our resale system offers groceries and merchandise at significant savings, which help our troops stretch their limited income. Commissary and exchange leaders work diligently to provide high quality goods and services at the best value possible. In addition, the exchange dividends to MWR help support a wide range of quality of life programs at the local level and also fuel a large part of our centrally-funded MWR construction program. MWR programs operate around the globe, providing support to help alleviate the stresses of a high operations tempo and building a sense of community for military families. Our military members and their families sacrifice much in the defense of our nation, and consistently tell us how highly they value these critical commissary, exchange, and MWR programs. We owe them the very best we can provide.

The global war on terrorism has driven a demanding operations tempo and led us into an uncertain future. It is during these times that our resale systems and MWR programs are most

critical for *all* members of the military community--whether active duty, guard or reserve; military sponsor or family member; currently serving, or retired; forward deployed, or back at home station. For each of these groups, the demand for resale and MWR programs has increased considerably.

All three of these key program elements fit in my portfolio. As the Air Force's Deputy Chief of Staff for Installations and Logistics, I currently chair the Commissary Operating Board, and serve as the senior Air Force member on the AAFES Board of Directors. In addition, I am directly responsible for Air Force Services and the morale, welfare, and recreation programs they provide. I'm proud to tell you that all three of these organizations have risen to the challenge. I will touch only briefly on them since General Frost from AAFES and General Wiedemer from the Defense Commissary Agency join me on this panel, and Mr. Art Myers from Services will appear before you later today. They are the real experts, and will show in greater detail how their organizations have continued to meet the challenges which we face.

COMMISSARIES

DeCA's performance in its day-to-day operations continues to be impressive. During 2002, they beat the unit cost, customer satisfaction, and patron savings goals as outlined in their fiscal year performance contract. First quarter results from this year indicate that DeCA is overcoming the post-September 11 decline in business, with sales up by \$45 million. Customer count is already up by 1.3 million over last year. Agency operating costs are on target and will meet year end goals. The commissary surcharge crisis, thanks to your assistance, has been resolved, with 13 major projects under construction and another 11 soon to be awarded. Another crowning achievement is DeCA's receipt of a clean audit opinion of its fiscal year 2002 financial statements. DeCA is one of only three Defense Agencies to attain a favorable audit opinion.

It is particularly encouraging that the commissary benefit has been included as an integral component of the Department of Defense Social Compact. The Social Compact reaffirms America's commitment to its Service members and recognizes that military quality of life is a core competency of the Department. The commissary benefit plays a large role in fulfilling the Social Compact:

- Commissaries provide a core element of family support;
- They are an important element of the total compensation package;
- They are a key element to military quality of life; and
- They enhance military retention.

DeCA meets these elements by providing consumables and household necessities at cost plus 5 percent, which translates to tremendous savings for our customers--an average of 30 percent below like business type stores downtown. Our commissaries provide a safe community environment for all our patrons, and bring American products and a "sense of home" to those serving overseas. Our commissaries also provide employment and earning opportunities within the military community.

In the face of increased operations tempo, the commissary system supports quality of life and acts as a stabilizing force for the personnel and families left behind. Commissary deployment centers offer families and friends a way to send those deployed a much-welcome gift from home. DeCA stands ever ready to fill shortfalls encountered by forward deployed forces through its Central Distribution Centers. They will go above and beyond to provide the best possible service to our members. One small example of this occurred when a site in Afghanistan requested steaks for a special celebration. DeCA reopened the Ramstein meat processing plant

after hours and the local commissary manager drove 150 miles round trip to deliver those steaks to a departing aircraft. DeCA understands the military culture and is uniquely suited to meet those needs. I hear stories like this all the time, and frequently see them in action myself as I visit the field.

Despite DeCA's impressive record of cost containment, we must remain vigilant when cost versus benefit is analyzed. We're all in favor of better management, and believe that DeCA has shown the right way to do it--taking down the cost per unit of output in ways that are largely invisible to the commissary patron. Like some before me, I believe that this is not just about selling groceries--it's about living up to a pledge of compensation for service to our country. The commissary service has proven to be an efficient and increasingly more cost-effective way of honoring that pledge, and we appreciate your continued support for this critical program.

I am confident that the leadership of DeCA will continue their aggressive cost cutting measures in a way that minimally impacts customer service and continues to provide outstanding support to our military personnel and their families.

ARMY AND AIR FORCE EXCHANGE SERVICE

Under the able command of Major General Kathryn Frost, AAFES has demonstrated its commitment to soldiers and airmen by supporting forces deployed and at home, while also keeping an eye on its financial performance.

AAFES remains dedicated to its mission of providing value, service and support to the soldier and airman. This commitment is evident as AAFES continues to deploy merchandise and personnel to support our forces serving abroad in Operation Enduring Freedom, Operation Iraqi Freedom, and other operations around the globe. Currently, 256 volunteer AAFES associates

provide support to soldiers, airmen, sailors and Marines at 29 contingency sites in 17 countries in Central and Southwest Asia. AAFES brings a touch of home to our troops with brand name products and services like Burger King and Baskin-Robbins, and is also ensuring our troops get the latest motion picture releases. These field exchanges are a critical quality of life component for our troops at the tip of the spear, and I applaud the effort AAFES made to get them there and keep them running.

Back home, AAFES provides mobile exchange support to National Guard units protecting sensitive chemical and depot sites located throughout the United States as part of Operation Noble Eagle. I am confident AAFES is committed to continuing and extending its contingency support whenever and wherever it is needed.

Despite continued uncertainty in the economy, AAFES revenues of \$7.3 billion were 3% higher than the year before. Earnings dropped to \$328 million, at least in part due to the increased costs involved in supporting the war on terrorism. Dividends to the Services' morale, welfare, and recreation programs were \$220 million, slightly below their target.

We are all rightfully concerned with the U.S. economic outlook for 2003 as we react to defend this country from terrorism. Our exchanges and their MWR dividends are particularly vulnerable to economic fluctuations and the costs of war, most of which are currently being paid from earnings that would otherwise support quality of life programs. The AAFES Board of Directors has carefully reviewed AAFES' financial plan to weather the economic uncertainty we face in 2003, and will continue to seek opportunities for further improvement. We are encouraged by discussions over the removal of remaining merchandise restrictions, and continue to promote cooperative ventures with our sister services and other partners. We all share a common goal to improve service to the military community and reduce costs. With your

continued support, I am confident AAFES will be up to meeting the challenge.

MORALE, WELFARE, AND RECREATION

Air Force MWR programs are a pillar of readiness, providing life-sustaining support in the deployed arena and a network of community support to care for both our airmen and their families. These programs are designed to promote mental and physical fitness, build morale, and enhance quality of life.

Under the strong leadership of Mr. Art Myers, Air Force MWR has met and will continue to meet the challenge of providing an ever-broadening array of services at home and abroad. Over 1,600 Services troops, operating from 40 deployed sites, are working to enhance the Air Force's ability to support the mission through essential food service, lodging, and fitness activities. On the home front, Services continues to lead the way with innovative child care options, expanded youth programs, and affordable value-driven recreation and entertainment opportunities. Through their diverse offering of quality of life programs, Air Force Services creates a sense of community in even the most stressful environments.

CONCLUSION

When we met last year, I told you how much I valued my time working with the resale and MWR programs, helping them meet their unique challenges, defending the benefit for future generations of military families, and serving with the true warriors who make it all happen. My experiences and travels over the last 12 months, and the circumstances in which this nation finds itself today, convince me more than ever just how much these programs are needed--and just how well these organizations provide them.

General Weidemer from DeCA, General Frost from AAFES, and their counterparts will

cover their resale operations in much more detail. You will also hear from Mr. Myers and his fellow MWR experts in today's second panel. For now, let me just say that I appreciate your continued support and welcome your questions.

Not for Publication Until Released
By Committee on Armed Service
US House of Representatives

**Statement of Mr. John M. Molino
Deputy Under Secretary of Defense
(Military Community and Family Policy)
Before the Total Force Subcommittee
Of the Armed Services Committee
House of Representatives
On the Morale, Welfare and Recreation System
April 2, 2003**

Not for Publication Until Released
By Committee on Armed Service
US House of Representatives

Mr. Chairman and members of the Subcommittee thank you for the continued commitment made by the House Armed Services Committee and staff in extending your leadership over the Morale, Welfare and Recreation (MWR) programs within the Department of Defense through the Total Force Subcommittee. The MWR program benefited from the guidance and direction given through the Special Oversight Panel on MWR. The strength and vitality of today's MWR program is a reflection of that direction, and we are pleased to report that the programs and services that you have supported in the past are continuing to fulfill the needs of Service members and their families as our armed forces attend to difficult missions in harm's way.

Last year, the Department's testimony to the Panel talked about the MWR support provided to Service members deployed in support of Operation Enduring Freedom, as well as the support rendered to their spouses and children. My testimony this year will be very similar—with some added emphasis due to the magnitude of current operations. In addition, I will provide an update on the condition of the MWR program, and the initiatives on-going to improve the contribution made by MWR and other quality of life programs to the DoD mission and to military communities throughout the world.

Deployment Support

Our Service members are performing tough duty in austere locations, while their families cope with the stress and anxiety associated with extended separations. Both need MWR, and the Services deserve credit in recognition of the fine job being done providing for both segments of the military family.

The Services have continued to improve upon their ability to support the MWR needs of their troops in deployed locations. The standard is now to provide fitness and sports equipment, reading materials and continuing education support, movies, special events, entertainment, and computers to support communicating through email, watching movies and playing video games. During a recent visit to ships preparing for deployment from Norfolk, I was impressed with the importance the crew placed on having these resources aboard ship. I was also struck by the ingenuity of the crew in making optimum use of their space to support fitness and quality of life programs.

The entertainment provided through the Armed Forces Entertainment (AFE) Program in partnership with the United Services Organization (USO) has helped break the stress of the daily routine and provide a respite during long deployments away from home. This past year, USO provided 32 celebrity tours and AFE supported 99 non-celebrity tours to 228 locations with over 1,500 performances. These tours have provided celebrities, bands, comedy acts, and other performers to boost morale and entertain our troops in remote locations throughout the world.

In addition, the Services continue to send MWR specialists (military and civilian) to troop concentrations, to include large Navy vessels, to organize and manage MWR programs. Commanders recognize MWR programs and field exchanges are vital to sustaining morale during lengthy deployments where troops must remain aboard ship or on the installation to maintain adequate force protection. The assignment of personnel trained to manage these programs has dramatically improved the quality and sustainability of MWR in deployed locations.

Support to family members is no less important during times of high operational tempo, both for the families of active duty and reserve Service members. Maintaining a connection between families and the Service member on deployment through morale calls and email can ease anxiety and stress. In addition, providing families with sources of information and assistance can ease the uncertainty and frustration experienced both by family members at home and Service members on deployment. The Marine Corps has implemented a DoD pilot program, *Marine Corps Community Services (MCCS) One Source*, using a contracted Employee Assistance Program (EAP), to provide family members 24/7 access to information on topics including legal and financial assistance, parenting, childcare, elder care, health and wellness, education support, relocation, and practical advice on household problems. Access is available to active duty and reserve families through a toll free number, by email, and by accessing a web site. The pilot has been in place since December 2002, and based on initial feedback from Marine Corps families, we see this service will grow in significance and will provide another valuable avenue of support to military families. We do not foresee these services replacing our

current family support centers on installations, since these centers continue to act as the key agencies to which families are referred when they need more assistance than can be rendered over the telephone or Internet. The Department's family support centers have also been the focus of additional activity, preparing Service members and families for extended separations, helping to sustain them through these long deployments, and assisting them with their transition to post-deployment life together.

We have also seen the continued importance of childcare and youth programs during periods of extended deployment and higher levels of operational tempo at home stations. To help both active and reserve component families deal with increasing demands on Service members' time away from home, the Military Services have extended childcare opportunities to make them available as much as 24 hours a day, seven days a week in some high tempo locations. As of December 2002, the Military Services were providing 176,000 childcare spaces, using a combination of delivery approaches to maximize availability within existing resources. However, we estimate that an additional 40,000 spaces are needed, and although important to the overall plan, military construction cannot fill the shortfall. The Department is continuing to focus on in-home care, using subsidies and other incentives to maximize provider participation, and off-installation opportunities as ways of closing the gap between supply and demand.

Youth programs also take on added significance during deployments and especially during periods that threaten of hostile engagements. Military youth may not have a supportive group of friends during these times when they most need them. Through more than 350 youth centers, DoD provides places where military youth can connect with their peers, participate in recreation and sports programs, and find a safe and secure environment. Through partnerships with the Boys and Girls Clubs of America, DoD has been able to expand its programs, with the Boys and Girls Clubs affiliation providing over \$4.9 million in program grants, gifts, scholarships and marketing initiatives over the past six years. As we have expanded our capability to assist families through the Internet, we have found ways of electronically supporting our youth. "Military Teens on the Move," provides adolescents with a web site giving them access

to information and contacts at their new location during military moves. With the deployment of large numbers of reserve component members, partnerships with off-base Boys and Girls Clubs and 4-H Clubs extend support services to their youth to help them cope with the added stresses of mobilization and separation.

MWR and family support programs have worked hard over the past year to keep pace with the needs of military families as they braced for more deployments and the potential of war. These added efforts have come at a price, and increased operational tempo requires additional funding to support these efforts. DoD funding for MWR programs increased nine percent in FY 2002 to meet the needs of military families, and is expected to increase an additional four percent in FY 2003. However, the cost of supporting large deployments is not included in the Service estimates for MWR, which are reflected as part of base operating support. Costs for deployments are being recognized separately as part of contingency funding requirements. With this said, predictions of future costs to support the global war on terrorism and other commitments are uncertain given that the estimates are so dependent on future, unpredictable circumstances.

Status of MWR Funding

As we reported to the Panel last year, increased security precautions established at DoD installations as a result of the September 11th attacks significantly reduced MWR sales and activity revenue during the first quarter of FY 2002. We monitored the impact over the remainder of last fiscal year, and found MWR activities adapted to the new baseline for security requirements and were able to return to previous levels of financial performance. The Service MWR funds earned \$20 million less net profit during the first four months after the attack than during the same four months of the previous year. The Service MWR funds were able to reverse this trend and complete the subsequent eight months with \$4 million more profit than the same period of the previous year.

Recognizing this impact on MWR activities when access is severely limited, DoD issued policy that allows installation commanders to use appropriated funds (APFs) to support Category C activities (clubs, bowling centers, marinas and other revenue generating

activities except golf courses) when the combatant commander, or equivalent, designates force protection condition Charlie or above. This authority remains in affect until the end of the quarter in which the force protection condition is reduced below Charlie. The authority was also made retroactive to October 1, 2001, to allow commanders to compensate MWR funds for losses incurred during the first quarter of FY 2002. The Services used this retroactive authority to provide \$4.3 million to installation level MWR funds.

The continued vitality of the MWR program that resulted in financial recovery in FY 2002 was the result of sound management and also solid APF support of Category A and B activities. Category A activities (fitness, libraries, recreation centers, single Service member programs, intramural sports, and unit activities) should be supported 100 percent by APF. The Department sets a minimum standard requiring at least 85 percent of total expenses being supported with APF. Since 1995, DoD has improved APF support to Category A from 83 percent to 91 percent in FY 2002. Category B activities (childcare, youth programs, outdoor recreation, crafts and hobby shops, and small bowling centers) should be supported with a minimum APF of 65 percent of total expense. Again since 1995, DoD has improved APF support to Category B from 57 percent to 66 percent in FY 2002. All of the Services, with the exception of the Marine Corps, have met minimum percentages of APF support for Categories A and B for FY 2002. The Marine Corps has made a commitment to meet these minimum percentages in FY 2004.

As previously stated, FY 2003 APF expenditures are expected to increase by an additional four percent over FY 2002. The Services' budget estimates for MWR, contained in the FY 2004 President's Budget, are projected to decrease by six percent, or \$94 million, of which the Army and Navy programs will be taking the brunt of the reduction. We are very concerned about these planned reductions, and we will be monitoring programs for potential impact on the support provided to Service members and their families.

In addition to the support received through APFs, the Service MWR programs depend on the dividends received from the military exchange services to provide the capital for replacement of furnishings, equipment and facilities not authorized APF support. As in the past, the exchanges provided 70 percent of their net profits to the Service MWR programs in the form of dividends. Exchange dividends decreased between anticipated and actual for FY 2002, from \$335 million to \$321 million. The FY 2003 profits are estimated to drop to \$368 million, with MWR dividends shrinking to \$256 million. The Services foresee this reduction primarily impacting NAF construction for MWR.

Major NAF capital investments in construction are primarily funded through the military Service headquarters. Each of the military Services has a system for identifying requirements at the installation level, and a prioritization process to ensure the greatest need with the best return on investment is funded first. This return on investment is measured not only in terms of financial viability, but also in terms of return to the military community in service and support. A project is not considered unless a full needs assessment is accomplished which includes an analysis of the local market, the customer demand, current facility conditions and installation master plans, and the potential payback. As part of the review process, all MWR Category C revenue generating projects valued at \$1 million and above are also reviewed for potential application of public-private venture funding.

The FY 2003 NAF construction program included 52 MWR and lodging projects with a total cost of \$307 million. This represents an increase of 9 projects and approximately \$100 million over the FY 2002 submission. This funding includes \$14 million in youth center construction, \$30 million in other Category B projects, \$94 million in Category C projects, and \$169 million in construction of new lodging facilities. As dividends from the exchanges are reduced, we anticipate the Services will have fewer NAF construction projects for the FY 2004 submission than what was submitted for FY 2003. In addition to the 52 NAF construction projects in the FY 2003 program, the Services received 16 projects valued at \$190 million in military construction for FY

2003. The Services have requested eight projects (seven fitness centers and one child development center) for FY 2004 at a cost of \$76.9 million.

Initiatives

Although the Services, with the assistance of the Congress, have continued to invest in fitness facilities over the past five years, this accelerated effort to overcome long-standing deficiencies in fitness facilities has not adequately answered current needs to replace deficient facilities. Since 1999, the Services have received \$544 million in military construction funding to replace 64 facilities. After this significant investment, only approximately one third of the current inventory of 549 facilities meets the minimum DoD standard for ventilation, restroom/changing facilities, and space to support fitness equipment and programs.

As with child development where we have found that military construction cannot be used as our single approach, we are developing similar alternative strategies to fulfill our need for quality fitness facilities for Service members and their families. In January 2003, the Department of Navy hosted a forum with commercial and corporate fitness companies to learn more about the industry's approach to identifying trends, establishing standards, leasing and constructing facilities, staffing, and procuring equipment. We are using these insights to develop business models and business cases, which we hope to apply at test locations to explore opportunities for improvement.

These proposed improvements are important to our social compact for fitness. We have developed a strategic plan for fitness that focuses attention on improving the infrastructure supporting MWR fitness programs. Doing so provides a two-fold benefit to the Department. Fitness programs continue to be the most popular MWR program among Service members. As part of our compact with Service members and their families, we want to meet their expectations for what they consider as important to their quality of life. Secondly, fitness is an important aspect of personal readiness for Service members. Someone who is physically fit has more stamina, is less likely to become injured, and if injured can recover much more quickly than someone not physically fit. The DoD strategic plan looks to optimize the benefits derived from fitness by partnering

health promotion, physical fitness training and MWR fitness. The Marine Corps has implemented these principles in its "Semper Fit" Program and has had some remarkable successes reducing costs associated with duty time lost as a result of injuries.

Key to the success of the fitness initiative is our ability to measure progress towards improving levels of fitness and reducing days lost due to injuries. Effective measurement, will enable us to track our performance and benchmark programs that provide the best results. We are applying this approach to all areas of the social compact to ensure we continue to focus on the desired results of our strategic plans.

The new social compact has charted a course for the future of the Department's quality of life programs. This course includes a renewed commitment to underwrite family support programs, to provide quality education and lifelong learning opportunities, to build and sustain a world-class health care system, and to eliminate substandard housing. Affordable, available childcare and youth activities, connectivity with family and friends, and spouse employment and career opportunities within the mobile military lifestyle are also parts of the equation. The future course charted for MWR includes special emphasis on fitness, library and recreation programs, better focusing on ways to meet the needs of Service members and families, while improving program results in support of Service-related requirements.

The social compact is part of the overall transformation of the Department of Defense and reflects the need to match the quality of life programs with the expectations of Service members and their families and with the changing needs of the Department. Programs and policies that were established prior to implementation of the all-volunteer force are still shaping the ways we take care of military families. Families are now predominantly dual income and must contend with a much more complex financial environment. Instead of a mostly unmarried force, living in barracks on the installation, the majority of Service members have family responsibilities and are living in the local communities. Consequently, the Department is looking at the way quality of life programs support military families to ensure we are providing what they need and not simply perpetuating existing programs.

The Military Services will likely have to make tough decisions in the future, determining how to provide efficiently and effectively quality MWR programs. The Uniform Funding and Management legislation, passed in the FY 2003 National Defense Authorization Act, will be a valuable tool for aiding the Services in improving the efficiency of procurement and personnel systems so that they can make optimum use of taxpayer and troop dollars within authorized funding policy. The Army will be the lead Service in developing the procedure to implement this piece of legislation.

We are very grateful to the Congress for providing the Department with this degree of freedom to manage more effectively. The Department will continue to look for innovations such as this to find ways of increasing efficiency without impacting the level of service provided to military families.

Conclusion

Overall, MWR programs provided by the Military Services have been well received. The results of a July 2002 survey of active duty Service members show that they are generally satisfied with MWR programs. We will continue to monitor their perspectives on MWR as well as several other aspects of their military life through electronic surveys so that we can improve on the delivery of our social compact and better understand their concerns as we seek to improve quality of life programs.

Our strategy is focused on improving fitness programs and increasing the availability of quality, affordable childcare. Further, we are seeking ways of partnering with corporate America to increase career opportunities for military spouses. Dual family incomes and careers have become the norm in today's society. With reported decreases in exchange dividends, coupled with planned reductions in APF support to MWR, we will be closely monitoring the potential for impact on the quality of life of Service members and their families.

As we move ahead in anticipation of new resource and budget realities, we will stay committed to providing a robust selection of high quality MWR programs at affordable prices. The support of the Congress in assisting us with these efforts is essential to our success. The Special Oversight Panel on MWR provided us an important

conduit for raising quality of life program successes and concerns to the Congress. We are grateful that the leadership of the House Armed Services Committee and the Total Force Subcommittee recognizes that these programs play a vital role in sustaining the readiness of our Armed Forces. Thank you for this opportunity to continue our dialogue. Your strong support continues to help us build the MWR program that military communities will need in the years ahead and that our Service members and families deserve.

STATEMENT BY

BRIGADIER GENERAL ROBERT L. DECKER
COMMANDER

U.S. ARMY COMMUNITY AND FAMILY SUPPORT CENTER

BEFORE THE

TOTAL FORCE SUBCOMMITTEE
COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

FIRST SESSION, 108TH CONGRESS

ON MORALE, WELFARE AND RECREATION PROGRAMS

2 APRIL 2003

NOT FOR PUBLICATION
UNTIL RELEASED
BY THE COMMITTEE ON
ARMED SERVICES
HOUSE OF REPRESENTATIVES

BRIGADIER GENERAL ROBERT L. DECKER
COMMANDING GENERAL
U.S. ARMY COMMUNITY AND FAMILY SUPPORT CENTER

Brigadier General Robert L. Decker was born at Fort Bliss, Texas, and grew up as an Army family member. He graduated from North Georgia College in 1973 with a Bachelor of Science degree in Psychology and was commissioned a Second Lieutenant in the Field Artillery.



Brigadier General Decker has served in troop and staff assignments in heavy, light, airborne, and special operations units. He has had the privilege of commanding Battery A, 2d Battalion (Abn), 321st Field Artillery, 82d Airborne Division; Battery A, 1st Bn, 38th FA, 2d Inf Div (Mech); 1st Bn, 41st FA, 24th Inf Div (Mech); and the 18th FA Brigade (Abn), XVIII Airborne Corps.

He also served as Battalion S-3, 1st Bn, 35th FA, 24th Inf Div (Mech); Assistant Fire Support Coordinator and later Secretary of the General Staff, VII (US) Corps, Stuttgart, Germany; FA Colonels' Assignment Officer, Colonels' Division, and later the Inspector General, U.S. Army Personnel Command; Deputy Commander, III Corps Artillery, III Corps; Director, Enlisted Personnel Management Division, PERSCOM; and recently as Assistant Division Commander (Support), 1st Armored Division, Hanau, Germany.

His joint service includes assignments as Director of Personnel, J-1 and later as Special Assistant to the Commander-in-Chief, United States Special Operations Command.

Brigadier General Decker is a graduate of the Field Artillery Officers' Basic and Advanced Courses, Command and General Staff College, and the Army War College. His awards and decorations include the Defense Superior Service Medal, the Legion of Merit (1 Oak Leaf Cluster), the Meritorious Service Medal (6 OLC), Army Commendation Medal, the Master Parachutist Badge, Ranger Tab, and German Army Parachute Wings.

Brigadier General Decker is married to the former Kay Whittemore of Wilmington, NC, and they have a daughter, Caroline who was born in 1996 in Pinehurst, NC.

**STATEMENT BY
BRIGADIER GENERAL ROBERT L. DECKER, COMMANDER
U.S. ARMY COMMUNITY AND FAMILY SUPPORT CENTER
ON MORALE, WELFARE AND RECREATION (MWR) PROGRAMS**

Mr. Chairman and Members of the Panel, it is a pleasure to appear before the Total Force Subcommittee to report on the state of Army Morale, Welfare and Recreation (MWR).

Our professionals and volunteers continue to deliver "First Choice" programs and services to our soldiers around the world. We now have professional staff in Southwest Asia to support the soldiers deployed there. We continue to support the forces in the Balkans. And we continue to work with the Army Reserve and National Guard to ensure we're serving those soldiers and families.

In December, I visited some installations in Germany to assess family readiness. Over the past several weeks I visited numerous installations in the United States. On each visit I talked to the garrison staffs, senior leaders, and spouses and toured Army Community Service (ACS) centers, Family Readiness Centers, and Child and Youth Services (CYS) facilities. Here are my principal observations:

- Family members are phenomenally strong, but many are concerned about the war with Iraq and how long their spouses will be gone.
- The spouses agree they are better prepared now than they were for Desert Shield/Desert Storm because the Army supported and strengthened Family Readiness Groups (FRGs), ACS programs, CYS programs, and incorporated lessons learned from previous deployments including the first Gulf war.

FAMILY READINESS

Army Community Service (ACS) personnel support mobilization and deployment efforts by participating in the Soldier Readiness Processing Centers, talking with soldiers, reviewing Family Care Plans, and identifying any family concerns that may keep soldiers from focusing on their missions. They conduct pre-deployment briefings, Family Readiness Group instruction, and Rear Detachment Commander training. They also assist Guard and Reserve units to prepare for deployment. Deployed Army National Guard units have family assistance points of contact for families to communicate with in addition to the Family Program Coordinator at the State Headquarters. The Army Reserve has Family Program Directors at the regions as well as at General Officer-level Commands.

Army Community Service staffs maximize the use of technology to link families with Family Readiness Groups, Rear Detachment Commanders, appropriate community resources, and one another. These links and training are vital to personal and family readiness. ACS supports eligible family members in all phases of deployment at, or near, their hometown or home installation. ACS has fielded a comprehensive set of resource materials for use to guide families, leaders, and staff through deployments. Operation READY provides personal checklists for families and unit commanders to ensure that deployments and reunions are successful.

To further support our families, we established a 24-hour toll-free Family Assistance Hotline (FAH) for Operation Iraqi Freedom to provide referrals and information to the families of deployed or activated soldiers. Activated on March 21, 2003, the FAH is intended for use by family

members of soldiers on active duty as well as those in the Army National Guard and the Army Reserve called to active duty. It is a 'safety net' for those who have exhausted all other resources. After hearing a short, recorded message, callers will be able to speak to hotline staff members who have access to extensive reference materials. In addition to local and Army-level assistance via telephone, family members can find answers to many routine questions about family readiness, Army Community Service, and deployment support resources online at the ACS Web site, www.goacs.org.

Army Child and Youth Services (CYS) fielded a CYS Mobilization and Contingency (MAC) Plan Workbook that gives installations support materials to develop and monitor their CYS MAC Plans. The workbook includes briefings, procedural guidance, planning references, on-line resources, and "lessons learned" from Desert Storm, Bosnia, and other contingencies. The detailed checklists and worksheets allow the installation staff to customize their CYS mission support.

In addition to the MAC Plan, several ongoing CYS outreach efforts are aimed at geographically isolated active component soldiers as well as Guard and Reserve members. A pilot Memorandum of Agreement with the General Services Administration (GSA) permits active duty patrons in Minnesota, New York, Georgia, and Washington to apply for subsidized child care in accredited GSA centers. Walter Reed Army Medical Center in the National Capital Region established a pilot program to support monthly weekend drill for a reserve unit -- with the concept, once validated, capable of being expanded to additional sites. Finally, cooperative programs between Army CYS and the Boys & Girls Clubs of Miami, Florida; Killeen, Texas; Tacoma, Washington; Silver Spring, Maryland; and Dale City, Virginia have opened opportunities for military

youth not living on installations to be served in the local community. We are encouraged by these successes and continue to seek further partnerships.

ARMY FAMILY ACTION PLAN

The Army Family Action Plan (AFAP) is a feedback process that identifies and resolves issues of concern to soldiers (active, Reserve Component, and retired), DoD civilians, and family members. It is a commander's decision-making tool for a continuous process of improvement, enabling them to react quickly to keep pace with changing times and protect and improve benefits and standards of living.

AFAP functions on the premise that members of the Army are the "experts" on Army standards of living. In operation throughout the Army from the lowest echelons to the highest, AFAP responds to the issues that the constituents consider important. In its 19-year history, AFAP issues have spearheaded 82 changes in legislation, 130 policy changes, and 140 new or improved programs and services.

The backbone of the AFAP is at the local level where delegates, representing a cross-section of the installation's demographics, identify, develop, and prioritize their concerns. Often, many of the issues are installation-specific and can be resolved by the local command. Issues that require a higher level of authority to resolve are forwarded to the Region or to Department of the Army. The Army takes pride in this grassroots program that gives leaders real-time information and includes constituents as partners in making the Army a desirable place to live and work.

SPOUSE EMPLOYMENT

In response, the Army completed several initiatives. Last December, the Chief of Staff, Army conducted an employment summit with selected "Fortune 500" companies to increase domestic and foreign private sector employment opportunities and provide spouses the ability to pursue skills training. Also, we successfully conducted a pilot test at Fort Carson, Colorado to provide training and information on virtual employment opportunities. We learned that a portable career-training program provides a viable opportunity for military spouses to become contributors to the family income and well-being, increase their self-esteem and potential, and influence the quality of life that they enjoy and pursue. We have funding to provide the training at five locations this year. We are also pursuing a "Train the Trainer" concept so that this program can be available at most installations.

FINANCIAL MANAGEMENT FOR SOLDIERS

The Army's leadership has great concern about the overall economic well being of our soldiers and families, which impacts unit readiness and retention. These concerns are being addressed through the following initiatives: Personal financial training in military school houses, mandatory Personal Financial Readiness Training for first-term soldiers, Life-cycle Education Program (Entry to Retirement), Promotion Points for Personal Financial Readiness Classes, Thrift Savings Program for Military Personnel, expanding personal financial readiness program to the reserve component, and partnering with other federal agencies and organizations to provide better consumer protection for military personnel and families. As an additional incentive, soldiers can earn promotion points by completing financial readiness classes provided through ACS.

(In addition to financial readiness classes, soldiers can earn promotion points by completing New Parent Support classes, Operation Ready, and level one of Army Family Team Building, all of which contribute to better informed, self-sufficient individuals.)

SCHOOLS/EDUCATION TRANSITION

Army CYS supports youth education transition initiatives through coordinating the Youth Education Action (YEA) Working Group and monitoring the Secondary Education Transition Study (SETS) Memorandum of Agreement (MOA). As of March 19, 2003, the SETS MOA had 114 signatories representing 118 school districts. The SETS MOA addresses reciprocity of specific youth education procedures (e.g., the timely transfer of records, improved access to extracurricular activities, grading standards) that affect military youth as their parents move them from one school system to another throughout a military career. Army CYS will undertake another coordination project to set up a July 2003 meeting of the National SETS Steering Committee (NSSC). The NSSC is being formed to enhance communications among superintendents and promote expansion of the SETS MOA process in school systems supporting military installations. We expect superintendents will use it to strengthen reciprocal practices.

MWR SUPPORT TO DEPLOYED SOLDIERS

Last year we reported to the MWR Panel that we had designated MWR positions as Emergency Essential, meaning the incumbent is ready to deploy to support contingency operations. One hundred and fifty MWR civilians are in the process of being designated as MWR Emergency Essential Civilians (EECs). Five MWR EECs are deployed to provide

support to Operation Enduring Freedom. We filled United States Central Command's (CENTCOM's) MWR support requirements for Uzbekistan, Afghanistan, Qatar, and Djibouti. To support deployed soldiers, we delivered a variety of MWR kits. Twenty-five Service Level Recreation Kits have been issued to units in the theater of operations; an additional eight are pre-positioned in the region for future forward use. All identified sites have aerobic, weight equipment, and other MWR supplies. CENTCOM receives paperback book kits (over 1,500 delivered) and Stars & Stripes newspapers - one paper per twelve soldiers. In mid February 2003, 30 small unit sports and recreation kits, ten "Theater in a Box" kits (containing a VCR/DVD player, computer projection system, screen with assorted DVDs and videos) were delivered to Kuwait.

Balkans Operations - Twenty-seven civilian MWR professionals provide MWR support to more than 7,000 service members in Kosovo, Bosnia, Hungary, and Macedonia. MWR professionals operate fitness, library, and recreation facilities at eight major base camps as well as providing services to remote sites. A satellite based MWR net communications system provides deployed soldiers with video-teleconferencing capability between camp cyberhuts and their family members. Since 1995, almost 200 MWR personnel have voluntarily deployed to promote physical fitness and provide recreation, social, and other support services.

MWR SUPPORT AT HOME STATION

Recreation programs support mobilization and deployment in multiple ways. Installations use recreation and physical fitness facilities as mobilization staging areas. For example, Fort Hood, Fort Campbell, Fort Riley, and others processed deploying personnel and equipment in their

gymnasiums and recreation centers. Program managers adjust operating hours to meet increased demand and community support requirements. Normal recreation programs provide non-deploying units and family members with opportunities to participate in both self-directed and organized activities designed to increase social interaction and individual resiliency. Individual installations offer special programs to meet local demand. We furnished 49 Small Unit Recreation Kits to Reserve and National Guard units activated for force protection at remote stateside posts. Installation Better Opportunities for Single Soldiers (BOSS) Councils assist guard and reserve units in transitioning from a civilian community to a military environment. These programs will adapt to meet changing requirements in the community.

FINANCIAL ASSESSMENT

For the past several years operating results measured financially have been very positive. Fiscal year 2002 was no exception, even considering the force protection measures implemented after the attacks on September 11, 2001. We did much better than anticipated. Again, we exceeded our standard, outperforming all but Fiscal Years 2000 and 2001. We expect to meet our financial standard in fiscal year 2003 but do not anticipate repeating the overwhelming successes of the past three fiscal years.

We continued to make progress in reducing overhead and gaining efficiencies in fiscal year 2002. MWR operations produced positive cash generation of \$103.8 million or 13.5 percent of total revenue. The comparable fiscal year 2001 numbers were \$117.1 million and 14.7 percent respectively. Again, we significantly exceeded the minimum standard of eight percent set by the MWR Board of Directors. The

financial results for subordinate commands were equally impressive. A key to our success was continued containment of overhead expenses.

Fiscal Year 2003 outcomes are more difficult to forecast. The number and duration of troop deployments will affect our results as well as those of AAFES. The AAFES dividend is projected to be less than we previously thought. Taken together, these circumstances could cause net income before depreciation to decline to between \$80 million and \$90 million, although it is still too early to tell. However, those results would still meet our standard of eight percent. Our projections assume we will not increase the use of nonappropriated funds (NAF) to perform appropriated fund (APF) mission or experience reductions to the approved levels of APF support.

UNIFORM FUNDING AND MANAGEMENT

We sincerely thank the Armed Services Committee for authorizing Uniform Funding and Management of MWR. Uniform funding is the merging of APF and NAF for the purpose of providing MWR services under NAF rules and procedures. It is designed to facilitate the procurement of property and services for MWR, financial reporting and management, and the management of employees used to carry out the programs.

We are working with the Department of Defense to develop an implementation plan that will include a funding strategy, safeguards, a complete manpower transition plan, and accountability controls. There will be no forced conversion of APF personnel. We believe this tool will make delivery of MWR programs and services more efficient and effective.

INSTALLATION MANAGEMENT AGENCY

Army transformation continues with a significant paradigm shift in the way the Army manages installations. On October 1, 2002, the Army activated the Installation Management Agency (IMA). By shifting responsibility to a single agency, we expect to enhance effectiveness, achieve regional efficiencies, and provide consistent and equitable services and standards. Our access to top levels of installation management is far easier and should result in more effective and timely communications. We are pleased to have played a part in this very important effort in support of transformation.

ARMED FORCES RECREATION CENTERS (AFRC)

Projects to expand Shades of Green (SOG) and consolidate AFRC-Europe (AFRC-E) operations in a new hotel in Garmisch are both ongoing, and the renovations at the Hale Koa Hotel continue.

Shades of Green ceased operations in April 2002 to permit an accelerated construction schedule. This project will add 299 guestrooms, banquet space, increased food and beverage capacity, and a parking garage. The expanded SOG will open in December 2003. In the interim, SOG guests are referred to a Disney Hotel on the Walt Disney World Resort at prices comparable to what they would have paid at SOG.

Simultaneously, we are constructing a new 330-room AFRC-E hotel on Sheridan Kaserne in Garmisch, Germany, to be completed in October 2004. The new hotel will include meeting space, fitness center, retail shops, and food and beverage outlets. Upon completion, all AFRC-E facilities in Chiemsee and existing hotels in Garmisch will be returned to

US Army Europe for further disposition. Consolidating AFRC-E into a single hotel from widely dispersed facilities allows us to be more efficient and better postures us to respond to the potential re-shaping of US Forces in Europe.

At the Hale Koa Hotel, we expect to complete the new luau pavilion this month. We will complete the \$40 million renovation of the Ilima Tower in Fiscal Year 2007.

CONSTRUCTION

Congressional support for construction remains a key component of our MWR program success. During fiscal year 2002, we completed 15 major NAF MWR construction projects valued at \$52 million, at eight locations in the Continental United States, three installations in Europe, and four installations in Korea. For fiscal year 2004 we have asked your approval to spend \$40 million in NAF funds to construct MWR facilities at seven installations worldwide and \$44 million in lodging facilities at three installations. Given the discussion regarding the size and positioning of U.S. military forces in both Europe and Korea, we are currently reviewing future NAF construction in both locations.

In APF military construction, the Congressionally approved program for fiscal year 2003 includes two physical fitness centers, two child development centers, and a community support facility that includes an Army Community Service Center. The total program amount is \$24.7 million. The Army's fiscal year 2004 appropriated fund military construction request, \$28.7 million, includes fitness centers at Hohenfels, Germany, and Fort Stewart's Hunter Army Airfield, Georgia.

ARMY LODGING

Due to insufficient capital investment, Army Lodging facilities have deteriorated, rooms are sized inadequately, and facilities lack modern amenities. In response, we developed Army Lodging facilities standards that mirror those normally found in the commercial limited service hospitality sector. To provide resources to meet the standards, we generate funds through a Lodging Capital Assessment (LCA) included in on-post room rates. This strategy will allow build-out of on-post lodging requirements by Fiscal Year 2017.

Under the Wellness "Fast Track" Business Initiative Council action, we are reviewing strategic options to expedite facility replacement and upgrade consistent with Army Lodging Standards, while minimizing cost. Alternative approaches include pursuit of a commercial loan with debt service paid through the future room rates in place of the LCA; domestic or selective privatization in a manner similar to the Residential Communities Initiative; and privatized management and/or development. Each of these solutions is under review.

PROGRAM STANDARDS

Program standards remain a key tool for evaluating our performance. In October 1999, the MWR Board of Directors approved baseline and mission box program standards. These standards focus on program staffing, program availability, equipment, and staff qualifications. The MWR Board of Directors directed annual assessments. During the first quarter of Fiscal Year 2003, installations conducted their fourth annual assessment to evaluate Fiscal Year 2002 performance. We will address

requirements we identify through the Army's programming and budgeting process.

We continue to refine standards, with particular emphasis on accreditation as a measure of quality. Our child and youth services program has led the way with all Army child development centers accredited. Army Recreation is employing a nationally recognized evaluation of installation management and operations against 10 categories of recreation standards. A Commission for Accreditation of Park and Recreation Agencies (CAPRA) team will evaluate installation programs against standards proven to lead to effective, efficient and professional programs and services. Army Community Service began an accreditation process in Fiscal Year 2000. Accreditation will document the quality performance we have come to expect from our ACS centers.

CHALLENGES

Given our starting point -- the September 11th aftermath -- we did extremely well in Fiscal Year 2002. Our professional staff reacted to the changed environment by finding new ways to provide programs to soldiers and their families. In doing so, they adjusted delivery to meet the new realities of closed installations, longer working hours, reserve component mobilizations, and active component deployments.

For Fiscal Year 2003, force protection remains an issue and may become a greater challenge in the months ahead. More soldiers are away from home station than this time last year, and they may be gone for some time. We are experiencing increased demand for mission sustaining and community support services from our soldiers and families remaining at

installations. To be successful in Fiscal Year 2003, we anticipate having to work harder.

CONCLUSION

Today, our nation is supported by the best trained, best equipped, and most technologically sophisticated Army in the history of the world. These volunteer warriors, who sacrifice so much to serve their country, are unequivocally sustained by loyal, dedicated families who, themselves, sacrifice much in fulfilling their vital role in the lives of soldiers. Never has this dedication been more evident than in the global challenges the United States faces now. Our soldiers and their families are the nation's best. They deserve the best we can give them. Every day, Army MWR fulfills this sacred obligation with programs and services delivered around the world, wherever soldiers and their families might be. While duty to country calls them in an uncertain world, America's promise to them must be one of gratitude demonstrated by opportunities for a quality of life comparable with that afforded to the citizens they pledge to defend. Army MWR answers that call. We know our success would not be possible without your committed and steadfast support. Thank you.

NOT FOR PUBLICATION UNTIL
RELEASED BY THE
HOUSE ARMED SERVICES COMMITTEE

STATEMENT OF
REAR ADMIRAL (SEL) MARC PURCELL, U.S. NAVY
ASSISTANT COMMANDER, NAVY PERSONNEL COMMAND
FLEET SUPPORT
BEFORE THE
TOTAL FORCE SUBCOMMITTEE
OF THE
HOUSE ARMED SERVICES COMMITTEE

2 April 2003

NOT FOR PUBLICATION UNTIL
RELEASED BY THE
HOUSE ARMED SERVICES COMMITTEE

Captain Marc L. Purcell
United States Navy
Assistant Commander, Navy Personnel Command,
Personal Readiness and Community Support (PERS-6)



Originally from Carpinteria, California, Captain Purcell graduated from the Naval Academy in 1975. Designated a Naval Flight Officer in 1976, Captain Purcell received initial F-14 training at NAS Miramar, and between 1977 and 1989 completed sea tours with VF-32, VF-84 and VF-154, deploying with both the Atlantic and Pacific Fleets to the Mediterranean, Pacific, and Indian Oceans.

Subsequent shore duty assignments included Air Test and Evaluation Squadron FOUR (VX-4) at NAS Point Mugu, F-14 and E-2 Community Detailer at the Bureau of Naval Personnel in Washington DC, and joint duty with U.S. Space Command in Colorado Springs, CO

In September of 1991, Captain Purcell became the Executive Officer of VF-114 and in July 1992, the Commanding Officer of VF-111, deploying with both commands to the Persian Gulf. Following his Command tour, he attended the Naval War College in Newport, Rhode Island, where he graduated with distinction in November 1994. At graduation he was assigned to the initial stand-up cadre of the Command Leadership School in Newport, Rhode Island.

Captain Purcell reported to Carrier Air Wing FOURTEEN as the Deputy Air Wing Commander in the Summer of 1998, and Commanded Air Wing FOURTEEN from October 1999 to November 2000, deploying twice to CENTCOM with the ABRAHAM LINCOLN Battle Group. In December 2000, Captain Purcell reported to the staff of the Commander, Naval Air Force, U.S. Pacific Fleet where he was ultimately assigned as the Chief of Staff.

ADM(Sel) Purcell is presently serving as Assistant Commander, Navy Personnel Command, Personal Readiness and Community Support (PERS-6). His personal decorations include the Legion of Merit, the Defense Meritorious Service Medal, the Meritorious Service Medal, and the Strike-Flight Air Medal. CAPT Purcell has Masters Degrees in Systems Analysis from the University of Southern California and in National Security and Strategic Studies from the Naval War College. He and his wife Betsy currently reside in Millington, TN.

Opening Remarks

Mr. Chairman and subcommittee members, thank you for this opportunity to update you on the Navy's Morale, Welfare and Recreation (MWR) program. As our Navy Personnel Command vision, "Mission First-Sailors Always" suggests, our challenge is to use the resources provided and MWR program framework to ensure our Sailors and their families achieve and sustain personal readiness to support our Navy as an effective force. Operationally, 2002 was a good year for Navy MWR and it is a pleasure to share with you our MWR initiatives and achievements in support of Sailors and their families.

MWR Strategy to Support Mission and People

These demanding times have challenged the MWR program to match the commitment of our active duty force. MWR continues to deliver high quality MWR programs at home while significantly expanding the quality and scope of support for those deployed at sea or on overseas assignments.

As a result, we adopted an approach that minimizes costs, sustains the high quality of programs, strives for equal access to MWR around the Navy, and significantly increases fitness and recreational opportunities for our deployed forces. We have

made great strides in developing objective standards and metrics to measure MWR operational performance and we are in the process of implementing more efficient management, accounting and human resource systems to track our results.

We have successfully partnered with groups such as the Veterans of Foreign Wars (VFW), the White House Commission for Remembrance, Boys and Girls Clubs of America, the motion picture industry, professional entertainers and various private sector supporters of the military to expand Sailor and family recreational opportunities. We have made concerted efforts to improve support for family members who bear the burden of increased deployment separations and increasingly demanding duty assignments by expanding child care service hours, conducting special homecoming events, adding entertainment events, and improving youth programs.

Our aggressive nonappropriated fund (NAF) construction program is replacing and renovating program infrastructure for both business (category C) and community support (category B) programs. In addition, we have continued to address emergent needs where our Sailors are forward deployed to areas without an existing MWR support infrastructure. Our strategy places great emphasis on providing expanded fitness and recreation support

for deployed forces afloat, including the assignment of civilian MWR and fitness professionals to deployed units.

This has been a good year for MWR programs and specific areas are discussed in more detail in the remainder of my testimony.

Support for Deployed Forces

Over half of all naval personnel are assigned to duty aboard ships, at overseas bases or to special forces units. The Chief of Naval Operations challenged us to recognize the special needs of these deployed personnel and their family members by increasing recreational opportunities by at least 20 percent in FY02. We exceeded this goal. Key improvements realized in responding to the challenge include:

- Providing civilian afloat recreation and fitness specialists to 56 percent of the carrier battle groups and amphibious ready groups that requested a billet. We plan to achieve 75 percent by the end of calendar year 2003, which should allow us to provide these key staff members to all deploying carrier battle groups and amphibious ready groups.
- Increasing live entertainment opportunities for afloat personnel in forward-deployed areas by 60 percent, an accomplishment that translated to over 40 ships and 32,000

Sailors who enjoyed the shows. . Attendance at ashore concerts also grew by 60 percent or 60,000 people.

- Distributing phone cards during the holiday season to every Sailor. Several organizations partnered with MWR to make this program successful. VFW and its corporate partners (Hallmark, Wal-Mart Good Works, and FedEx) provided Navy with a gift of 200,000 60-minute prepaid telephone cards, which were distributed to overseas and deploying commands. Running parallel with the VFW initiative, Navy MWR, through a commercial sponsorship agreement with AT&T, secured 235,000 15-minute "Homeland" (CONUS) prepaid calling cards. These cards were distributed to all stateside active duty personnel and all reservists recalled to active duty.
- Enhancing the shore movie program, MWR provided field and deployed activities with a new program called "Theater in a Box". "Theater in a Box" is a self-contained unit that allows us to take videotapes, screens, and players direct to the front lines making movies available for isolated deployed units. MWR was also able to initiate a "Sneak Preview" program with showings of 15 first run movies to over 215,000 Sailors and their families in Navy theaters up to a week before commercial release.

- Ensuring that all deployed ships had a full complement of fitness equipment in good operating condition before leaving port.
- Establishing repair and replenishment warehouses at fleet concentration areas to ensure that replacement fitness equipment is immediately available. This improvement increased equipment repair and availability by more than 25% in the past year.

Saluting Sailors and Families

This Navy MWR program to recognize Sailors and their families grew in both scope and participation. In FY02, the program generated over 3,300 participants and 25,700 web hits. Participant numbers have quintupled already in FY03, up to 16,182 in less than six months, as we scheduled five new centrally managed events and added a grant program to support regional events, further increasing participation.

Sailors and their families participate by entering the contest locally or on the MWR website. Winners are then selected in a variety of fashions to receive MWR sponsored "trips of a lifetime". Notable events in FY02 included a "Sand and Slopes" vacation where winners enjoyed a few days in a mountain setting and then were taken to a tropical beach resort

for some relaxation in the sun. We hosted a group in Orlando for a "Family Safari". Command Sailors of the Year competed for an Alaskan cruise ship vacation. Sailors from the Persian Gulf were selected to attend the Le Mans auto race in France as special guests of race sponsors. A group of Sailors and their families enjoyed a weeklong Independence Day holiday in Washington, DC. Others were treated to a special New Year's Eve celebration in New York City. We have received excellent publicity from within the Navy and in the community at large from this program. The program, with its "once in a lifetime trips", has provided another positive incentive for promoting the Navy as an employer of choice. This program is financed with NAF and benefits from commercial sponsorship.

Navy Family Team Summit

Navy MWR hosted a summit of over 200 individuals from every segment of the Navy including spouses, active duty personnel, family members, Navy leaders and single Sailors. The objective was to engage this broad spectrum of naval personnel in identifying opportunities and empowering families to tell us how we could work with them to better support the Navy mission. Our focus was on identifying and developing realistic achievable pilot projects, which addressed their needs. They identified the need for expanded child care hours to assist in mission

related circumstances and provided suggestions for refining teen programs to provide greater teen empowerment in programming.

Our goal for FY03 is to implement the five most promising program initiatives from the Family Team Summit. These initiatives include improving the affordability of child care; providing extended hour child care for shift workers; improving the quality, accessibility, and timeliness of information about the Navy for families; seeking standard in-state tuition policies nationwide for military members and their families; and establishing a series of training sessions for families at key points in a Sailor's career. All these innovations are either in work or have already been initiated.

Partnership for Recruitment and Retention

A Chief of Naval Operations retention related goal challenged Navy Personnel Command to increase family participation in a Sailor's career decision-making process by 10 percent. Key MWR initiatives in this area include:

- Partnering with the Navy's Center for Career Development to increase attendance at career decision fairs from 70 in FY01 to 2700 in FY02. Career Decision Fairs are events that the Navy hosts to make sure that Sailors and their families have

the complete picture of their career opportunities in the Navy before they make a major career decision.

- Another successful program to leverage the Navy's investment in MWR programs involved giving Delayed Entry Program (DEP) Sailors and their families a first-hand look at the many quality of life programs and services that will be available to them upon reporting for active duty. This team effort between Navy Recruiting Command and MWR hosted over 1,500 DEP Sailors and their families at NSA Mid-South in Millington TN, San Diego CA, and Los Angeles CA. Additional events are scheduled for Jacksonville FL, New York City NY, Houston TX and Miami FL. This program is designed to improve readiness by decreasing delayed entry program attrition. The day's events included walk-through tours of the Single Sailor center, fitness center, Enlisted Quarters and the Navy Exchange. They also visited a "tradeshow" featuring quality of life display booths, virtual displays, MWR informational material, promotional items, and food and beverages. The program was a big hit with recruits and their parents. One father even commented, "If I was younger I believe I would enlist". We will be closely monitoring this program over the next year to measure its effectiveness.

Single Sailor/Liberty

The Navy's Single Sailor Program, also called the "Liberty" program, is our focal point for addressing the leisure needs of 18 to 25 year old single Sailors. Services are delivered in over 70 dedicated facilities where age appropriate services, including organized activities, are provided by a dedicated staff of recreation professionals. The majority of those served are Sailors who live on board ships or in barracks. Major activities and services include movies, TV, internet and e-mail access, video games, quiet rooms for reading and writing, and opportunities to participate in off base recreational activities such as trips, outdoor recreation activities and attendance at area sporting events and concerts.

Fitness Program

Navy fitness is our most popular MWR program. We have approximately 160 fitness centers at 110 bases. In addition, we have fitness centers on over 300 ships in the Navy along with fitness coordinators assigned to carrier battle groups and amphibious ready groups.

The primary goal is to operate a high quality program with state of the art equipment to facilitate achievement of personal readiness and development of positive lifestyle habits. In support of this goal we have an ongoing program to improve

facilities and equipment, operate command fitness programs in support of CNO mandated fitness standards, and provide fitness and sports opportunities to individual service members and families.

Our initiatives for FY03 include the continued upgrade and replacement of fitness equipment aboard fleet units. We have established equipment replacement warehouses in major fleet concentration areas. Through our fleet recreation coordinator program we are proactive in working with ships to remove worn or broken equipment and provide replacements. 100 percent of our units leave for deployment with a complete complement of fully operational fitness equipment. In addition, we have increased our fitness program support for Maritime Pre-positioned Ships and tested a prototype program for providing commercial fitness facility access to approximately 20 percent of Navy Recruiters. Navy MWR has also instituted a Navy regional running program in 11 CONUS regions, and several OCONUS locations, to encourage greater participation in running as a beneficial fitness activity. These programs lead to participation in higher level programs and provide quality Navy athletes a chance to participate in off-base road races and triathlons.

Child Development and Youth Programs

Navy child development and youth programs are among the most highly ranked and valued programs for those service members with children. These services are designed to ensure military children receive high quality developmental care.

In FY02, Navy met 69 percent of the potential demand for child care as defined in DoD standards, which was our highest percentage to date. By the end of FY03, we expect to have reached 73 percent. Our programs are fully accredited by the National Association for the Education of Young Children (NAEYC). This credentialing is consistent with the requirements of the Military Child Care Act and provides assurance to military families that their children are receiving top quality care that equals or exceeds the highest national standards.

The Navy continues to work toward meeting established child care expansion goals, and to provide increased childcare availability to meet the extended hour care needs of shift workers. Pilot programs in the Mid-Atlantic and Pearl Harbor regions to provide child care services 24 hours a day, 7 days a week have been established to evaluate potential solutions using both Child Development Home and facility based care delivery systems.

We include youth projects in our non-appropriated fund construction program as we seek to upgrade and expand the facility base for our youth programs. We completed a new youth center at Pearl Harbor this year and in the past few years have completed other centers at Naval Air Facility, Key West FL, Naval Amphibious Base, Little Creek VA, Naval Station Ventura County CA, Naval Support Activity Mid-South, Millington TN, Naval Postgraduate School, Monterey CA, and Naval Station, Mayport FL. Four more projects, approved by Congress, are in various phases of design or construction.

We continue to operate an extensive summer camp program, presently providing access for over 30,000 youth per year. We have expanded the summer camp program to include Youth Outdoor Adventure Camps as well. The before and after school program is also well attended, and continues to grow as additional facilities come on line.

Navy implemented a summer scholarship camp for teens to participate in specialty camps, which emphasize life-skill development. In FY02, Navy increased Youth scholarships for specialty camps by 800 percent. In addition to the 122 scholarships awarded to Navy youth, the number of camp choices

increased from a single camp to ten camps including an Outdoor Leadership Camp, Space Camp, and Photography Camp. In FY03 we will continue to offer these specialty camps and increase the number of teens touched by these popular camps by 10 percent.

Based on feedback from Teen Summits and training with youth professionals, a Teen Employment Program was piloted successfully in FY02, which reached 140 teens. The program was designed to attract teens with deployed family members in an attempt to ease separation anxiety while providing opportunities to develop beneficial job and life-skills. This program will grow by another 10% in FY03.

Navy Motion Picture Service

Navy MWR provides movie services to over 800 activities world wide, including Navy, Marine Corps, Coast Guard, Military Sealift Command and U.S. Missions in foreign countries. We use an 8mm-video format to support our afloat and small base program worldwide.

The announcement "Movie Call" is a highlight for the nearly 200,000 Sailors deployed throughout the world. Each ship has a library with over 500 movie titles and receives over 160 new movie releases a year. The afloat program is designed to

provide movie screenings in small groups, over ship television systems, or in large groups using a large screen format. This year we introduced the "Early Tape Release" program which is a cooperative initiative between the Navy and film industry that provides videotape movies to ships in the Gulf and Mediterranean regions within two weeks of the time they are opening in U.S. theaters.

We continue to deploy "Theater in a Box" units consisting of a portable video tape player with 250 movies and all the equipment needed to run an exciting videotape movie program. These units give us the capability to service remote, forward-deployed forces including special missions in support of the war on terrorism.

We also operate a 35mm program at our larger bases in CONUS and overseas. These theaters drew nearly three million viewers last year. A significant reason for an attendance increase this past year has been the generous support of the motion picture industry, which has provided us with one or two movies a month before their official release in theaters. Attendance for these "sneak previews" has exceeded 215,000 patrons. Overall, Navy theater attendance and concession revenue has increased almost 20 percent this year. Taken in the aggregate, these initiatives

have been a hit with Navy personnel and have clearly been one of MWR's most well received programs.

Entertainment

The Navy MWR entertainment program has also been highly successful this year, bringing big name entertainers to deployed personnel and those assigned to overseas bases as well as families at home.

We distributed over 150 grants of up to \$2,500 to permit bases and afloat units to arrange entertainment opportunities such as bands, comedians, hypnotists, wrestling shows, magicians and dinner theater experiences. We funded over \$1.5 million for entertainment in Southwest Asia, the Western Pacific, and European theater areas. We worked closely with the USO and Armed Forces Entertainment Office, for which the Air Force is executive agent, to coordinate these entertainment events.

A primary focus has been on satisfying requests from afloat units by programming events for carrier battle groups and amphibious ready groups in the Fifth Fleet area of operations. But, not forgetting those left behind, we also supported numerous stateside events, including a summer concert series in

the Norfolk VA, Southern California, Great Lakes IL, and Groton CT areas.

The enthusiastic reception for our entertainment program has confirmed that this program supports CNO's goal to increase recreation opportunities.

Business Activities

MWR Business Activities provide goods and services at competitive prices and produce revenues to support other MWR programs, including activities which are not fully funded by appropriated funds (APF) or which cannot be financially self-sustaining such as youth and single Sailor programs. Core MWR Business Activities include golf, bowling, marinas, recreational lodging, food and beverage services, and entertainment programs.

The Navy MWR system continues to feel some impact from the post-September 11th security changes, particularly in MWR Business Activities. Business activity and cash flow continue to be below 9/11 levels but are gradually rebounding. As FY03 began, revenue was up \$2.6 million, a 4.5 percent increase through December 2002, and net profit improved \$2.6 million over the same period in the prior year. However, extensive deployments may yet have a longer term affect on MWR business,

as fewer Sailors will be on board our bases to use these programs. MWR business activities will position themselves to maintain their financial strength by marketing to other eligible patron groups.

Currently, MWR Food and Beverage activities are made up of over 300 retail food and beverage operations at more than 100 Navy bases worldwide with sales exceeding \$100 million. Included in this number are a variety of clubs, catering/conference centers, recreation centers, golf clubhouses and bowling centers which offer services from full-service dining, to catered banquets/ receptions, to fast food. We have increased our branded food outlets by 25 percent during FY02, as targeted, and intend to expand by another 20 percent in FY03. Navy MWR activities now have over 70 national branded food operations, which are uniformly more profitable than in-house operations. We have license agreements with 9 different companies that represent 19 food and beverage national branded concepts. Using branded concepts, we continue to offer Sailors and their families the types of food and services they tell us they want. Branding also allows us to provide consistent service and quality using the most cost-effective and economical means possible.

Facilities

The Navy MWR NAF facilities program over the last 5 years has exceeded our goal of at least \$15-20 million a year in projects. FY02 was our busiest year for completing projects in our history. Our FY03 program, recently approved by Congress, is also aggressive and includes 11 major construction projects for \$24.7 million and additional projects at \$6.0 million for a central program total of \$30.7 million. In addition, field activities are budgeted to spend over \$20 million for minor capital projects and equipment replacement.

The timeline for execution of NAF construction projects has been significantly streamlined. The timeline per project has averaged 18 months for the 20 projects completed since the beginning of FY02. This is about half our historical experience and is the result of a streamlined design-build approach that applies cost effective principles commonly used in the private sector.

Organizational Efficiency Efforts

The MWR program is challenging traditional operational approaches and seizing opportunities to gain efficiencies. One of our major initiatives is the ongoing regionalization of base support, including the consolidating of overhead functions for

MWR in the regions. In other cases, MWR base operations have been consolidated, permitting one MWR organization to benefit from the efficiency of operating several bases. An excellent example recently arose in the Ventura County, California area where operational savings were achieved by closing a small bowling alley at one base and gaining greater patronage at a larger bowling alley at the adjoining base. This kind of consolidation is designed to continue to meet the needs of our Sailors but at less overall cost.

Another example is the new MWR automation system we are implementing to improve financial, personnel and payroll system support. This state-of-the-art enterprise resource system will permit Navy to restructure accounting and information systems to mirror the regional structure and improve the oversight capability of the regional management teams. Coupled with this system, Navy has made significant progress in developing metrics and standards to quantify resource and program information and measure performance against standards in both overhead and program delivery areas. The information from metrics and standards was used in developing the FY04 MWR base support appropriated fund budgets.

Regionalization of MWR has also given us greater capability to allocate scarce local NAF funds equitably for recapitalization and repair of facilities among activities within a region. Leadership now has the APF and NAF structure necessary to create better program equity.

Child Care and youth programs are carefully managed by parameters set as a result of an extensive functionality analysis. This analysis, now complete and implemented Navy-wide, set a model for efficient delivery of child care and youth programs.

We were highly successful in improving the quality and timeliness of replacement of fitness equipment on ships. Now all ships deploy with a full allowance of fitness equipment in fine operating condition. To sustain this equipment, we have established pools of fitness equipment in major homeports and at overseas operation areas where worn equipment can be immediately replaced by visiting or returning ships.

Financial Condition of MWR

The financial scope of the MWR program, including non-appropriated (NAF) and appropriated (APF) funding, is projected to be \$894.5 million in FY03. This is an increase from \$869.1

million in FY02. The FY03 projection is comprised of \$426.3 million of APF support (both direct and indirect costs) and \$468.2 million in NAF revenue. Both APF and NAF increased from FY02 levels. With heightened security on bases and concern for personnel safety overseas we have experienced some decline in revenue in business operations on bases and reduced revenue from tickets and tour programs overseas. In the year following September 11th, the MWR system experienced a decline in NAF revenue. However, System NAF profits increased from \$10.2 million in FY01 to \$11.1 million in FY02, primarily due to increased Exchange Dividends and aggressive cost controls.

Navy Exchange dividends to MWR for FY03 are programmed at \$52.5 million, up from \$50.5 million in FY02. This remains a very important source of support for MWR capital and operational programs. We provided \$9 million of these dividends to major commands to help provide financial flexibility to assist local commands most impacted by increased security requirements.

Overall APF execution increased in FY02 from \$386.2 million in FY01 to \$409.3 million in FY02. Navy again met the minimum APF support percentage goals for both category A and category B MWR program operations in FY02. Category A programs were funded at 89.5 percent of cost, exceeding the 85 percent minimum

standard, but down slightly from the 89.9 percent funding in FY01. For Category B, Navy funded the program using 68.5 percent APF, which also exceeds the 65 percent minimum standard and is up slightly from FY01. It will be very difficult to continue to meet these standards in FY04 as a result of budgeted appropriated fund reductions.

MWR appropriated funds for direct MWR expenses will be reduced by 8.8 percent or \$31.9 million, in FY04 as part of overall Navy efforts to sustain our deployed war-fighting forces. To meet these funding reductions, MWR will curtail spending in several non-core programs in FY04, such as swimming pools (closing redundant facilities), arts and crafts, small bowling centers, auto skills centers, etc. We will also tighten expenditures in some of our core programs like fitness and child care, where FY04 funding will fall to approximately FY02 levels.

Summary

The Navy MWR program remains focused on being a significant contributor to our guiding principal: "Mission First-Sailors Always". This year we have significantly realigned our priorities to expand the scope of our support to deployed forces. In a broader context, we exceeded the CNO's goal to increase recreation opportunities for all Sailors and their

families by at least 20 percent in 2002 and are making more improvements in 2003. The fast pace of operations with increased deployments has energized the MWR team around the world to be even more aggressive, creative and proactive in caring for the Sailors and the families we are honored to serve.

We thank you for the continued strong support of the Congress in our partnership to ensure Sailors and their families enjoy the benefit of wholesome and quality lifestyles as they lead the fight in our war against terrorism.

DEPARTMENT OF THE AIR FORCE

**PRESENTATION TO THE HOUSE ARMED SERVICES COMMITTEE
TOTAL FORCE SUBCOMMITTEE**

SUBJECT: Morale, Welfare, and Recreation Programs

STATEMENT OF: Arthur J. Myers
Director of Services
United States Air Force

April 2, 2003

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

Thank you, Mr. Chairman and members of the Total Force Subcommittee, for the opportunity to appear before you today to talk about the status of Air Force MWR programs. On behalf of the entire Air Force Services community, let me extend my thanks to the former MWR Panel members, Mr. Meehan, Mr. Hayes, and Mr. Schrock, for their support over the past year. We are especially glad to have you, Mr. McHugh, back as Chairman of this Subcommittee. We know you have a great appreciation for the importance of MWR programs, and are confident you will not allow a loss of interest in this critical area. We look forward to working with all the members of this Subcommittee; your work will have a direct and lasting impact on quality of life for our military members serving their nation, along with their families.

Let me offer my sincere condolences to you, Mr. Chairman, and to the families of those eleven brave soldiers from Fort Drum who were lost recently in the Blackhawk training incident. We were proud to assist the Army and serve those families through our mortuary at Dover, and hope the expedient return of their loved ones provided a measure of comfort to the families.

Our programs, initiatives, and most importantly, our outstanding people working around the world, form a web of support to help alleviate much of the stress our personnel and families undergo during these critical times. Any commander will tell you the importance of good morale as it relates to combat capability. In the deployed environment, we provide life-sustaining support, bringing hot meals, lodging, fitness, entertainment, and recreation opportunities to troops who would otherwise have to settle for cold MREs under austere conditions. On the home front, we ease the burden of a high operations tempo by providing extended child care and youth programs, increased community support activities, and a professional and compassionate network of care and support for those left behind. The phrase that we recruit the individual but retain the family is not just a slogan.

The combat support and community service we provide in support of the global war on terrorism is taxing our resources, both people and funding. The troops we deploy worldwide are the same who staff our dining facilities, fitness centers and lodging operations at home station. When they deploy, our workload actually increases; in addition to the support for the deployed forces, we must frequently increase the level of service to support the personnel and families left behind. Services enlisted troops are deployed at a higher rate than they ever have been, and we expect to spend over \$30 million this fiscal year to support Operations Noble Eagle and Enduring Freedom. We've continued to maintain services at home by expanding contracts and using Air National Guard and Reserve troops, and the entire Services team has stepped up to the plate to get the job done. We thank you for your continued support of these absolutely essential elements of military life.

Readiness

By the middle of last month, over 1,400 Services troops had already deployed to forward operating locations, with another 400 in the process of deploying to meet the increasing challenge. This is twice the force we fielded in support of Operations Desert Shield and Desert Storm, operating from twice the number of forward locations. Services personnel support our nation's combat capability by providing critical and life-sustaining operations that include feeding, lodging, laundry, resale, recreation and fitness activities, and mortuary affairs. We are now providing support at over 40 locations, up from 27 locations this time last year and only 10 locations prior to September 11, 2001.

At one point last year, over half of our deployed personnel were Air Force Reserve or Air National Guard, but many of them were demobilized at the end of the fiscal year. At the same time, the increased tempo of worldwide operations has created an increasing demand for the

services that we provide, and our troops have surged to meet the need. In spite of the intense tempo, our Services troops are performing at an incredibly high level. A friend of Services recently sent me an email from his son Matt, a young Services enlisted troop deployed to the Central Command area of responsibility. I'd like to share a bit of that e-mail with you:

Hi. Hope all is well there. Been extremely busy today. Served over 2,000 for lunch and close to that for dinner tonight. We are using the CDK--Containerized Deployable Kitchen--as the flight kitchen, and it is very busy. We'll soon have four dining halls and three "Grab-n-Go's" with 24-hour service. Our base commander, a General, remembered me from when he first got here....my squadron commander told me the General said, "I want that fine young man down here serving. He always has a smile on his face and it makes the troops' day go better!" I got to eat lunch with him and a 2-Star General today. Not too bad for the first day on the new job. Love to all, Matt

Matt's attitude is very typical. Many Services troops have been singled out among all those deployed to their location and recognized as airmen and noncommissioned officers of the month. This award highlights their professionalism and contribution to the mission. They are well trained and superbly led, and, as a result, are highly motivated to do their part in supporting the global war on terrorism or any other contingency.

As Napoleon Bonaparte said 200 years ago, "An army marches on its stomach." We take our combat support responsibility very seriously, and are currently serving over 175 thousand meals a day to our deployed troops. We all know what a hot meal can do for a person's attitude, so we continue to look at innovative ways to get meals to the troops. We are testing two ration

heaters that will allow us to provide hot meals within hours of arrival and plan to have a system fielded within months. The new containerized deployment kitchen and single pallet expeditionary kitchen allow us to get hot food to the troops more quickly by reducing valuable airlift requirements.

There is more to sustaining deployed forces than just providing for working, eating, and sleeping. To help maintain the health and morale of our deployed force, a top priority is to provide fitness and recreation support. All of our steady state locations have full fitness centers, and we provide some level of fitness service at every deployed site. We are working with industry to develop a program to send fitness equipment to the deployed locations on a just-in-time basis. This concept will reduce military movement of heavy equipment by having fitness suppliers ship as close to the intended location as possible.

We are also prepared to answer the call, should the need arise, for mortuary services. We have personnel trained at each Air Force location to conduct search and recovery operations and arrange for transport of human remains to our port mortuary at Dover AFB, Delaware, for final preparation and expedient return to their families. This is one of the most important and sensitive duties for which we train.

Our commitment to readiness is a key pillar of the Air Force Services mission. The essential services and programs our personnel provide both in the deployed environment and at home truly enhance our Air Force's combat capability.

Air Force Survivor Assistance Program

We created the Survivor Assistance Program in January of 2000 to support families of active duty personnel who died while serving their country. These families receive personal

attention in their time of crisis. The Air Force has numerous resources to draw upon following a death, and the Survivor Assistance program pulls them all together under one umbrella. The Family Liaison Officer, or FLO, is the heart and soul of our program. Appointed by the unit commander to make sure the family gets the help, support, and information they need, the FLO's only duty until the funeral is complete is to assist the family. Since the program started, over 530 personnel have volunteered to serve as FLOs. We also provide direct support through our web site (<http://survivorassistance.afsv.af.mil>) and 24-hour worldwide toll-free access (1-877-USAHELP). We follow up with each family regularly, and the installation commander contacts them at the 1-year anniversary to assure them they will never be forgotten. We make sure families have what they need, immediately and over the long term as well.

Our program is constantly evolving to better serve the AF member and their families. We produced and released a video to train FLOs in September 2002. This video uses interviews with some previous FLOs, who explain the challenges and rewards of this duty to help better prepare newly assigned personnel. We also collaborated with AF Surgeon General to produce two new videos concerning suicide. The first deals with suicide prevention, while the second offers guidance to help a unit cope after suicide occurs. We will continue to expand and update our training materials in the coming year.

The Survivor Assistance program is dynamic, flexible and staffed by the best--the caring men and women of the Air Force. They have met and overcome many challenges in the past year. One of the most difficult was our response to the space shuttle Columbia accident on February 1, 2003. A professional cadre of experts from numerous Federal and State agencies worked very closely to provide the highest level of care and support for the surviving families. Shortly after the accident, we made personal contact with the senior NASA staff in the astronaut

office who would be dealing with the families. We worked closely with them sharing how the Air Force cares for its families under similar circumstances, and provided advice, assistance, and other resources that were eventually used to support all seven families. Our Air Force morticians were dispatched to Barksdale AFB and the Johnson Space Center to aid in recovery operations. The Air Force's expertise in the recovery of remains from aircraft mishaps, and our familiarity with the legal requirements involved with the movement of remains, proved invaluable. Our Air Force mortician provided detailed briefings on mortuary entitlements and explained the entire process, from recovery to final disposition, to the families. The senior NASA staff assigned to each family also relied heavily on our mortician for updates and recommendations. All the remains were transported to our port mortuary at Dover AFB for positive identification and preparation for return to the families. We worked closely with NASA and the Israeli Defense Attaché to arrange the return of Colonel Ramon, the Israeli astronaut, to his homeland. The Dover wing commander led a departure ceremony before Colonel Ramon's body was transported from Dover AFB to JFK airport. Security Forces escorted the procession along the entire route, and the Dover Honor Guard provided a dignified transfer onto the commercial airliner. Israeli and NASA officials expressed their appreciation for the professionalism and support provided.

Each component of our Survivor Assistance team, from the AF morticians to the Dover Port Mortuary staff to the individual family liaison officers, did their part in an effective yet highly compassionate manner to help ensure that these families had the support they needed following this tragedy. This is just one example of how we pool all available resources, no matter the cause or circumstance of the death, to take care of families.

Military Funeral Honors

The Air Force's military funeral honors mission continues to grow. The Air Force has seen a 340 percent increase in military funeral honors from 1998 to 2002. We supported over 22,000 funeral details last year, and expect to perform 58,000 funeral details annually by 2008. One base honor guard experienced over a 900 percent increase after the military funeral honors legislation went into effect 2000, from 214 funeral details at that point to over 1,960 details in 2002.

Bases earn no manpower positions for these funeral honors, but must come up with the people from existing resources. This is a significant challenge, since a single base may be responsible for the increasing number of military funerals within an area up to 250,000 square miles. To spread the workload, we rely on Air Reserve Component forces to augment our active duty honors teams. In 2002, the Air Reserve Component used 39,000 mandays to support approximately 30 percent of all Air Force funeral honors details. However, the increased operations tempo makes it harder for us to compete for these mandays. We are working a long-term solution within the department to establish permanent guard and reserve positions at bases. The Air Reserve Component currently expects to fund 128 of the 550 validated full-time positions by fiscal year 2007.

We are solidly committed to providing the proper final tribute for our veterans, and we appreciate the support of the members of the Subcommittee in this continuing endeavor.

Armed Forces Entertainment

Armed Forces Entertainment provides high quality, free American entertainment to our U.S. military forces and their families stationed overseas, with a priority to remote and isolated

locations, ships at sea, and contingency operations. Celebrities such as Robin Williams, Drew Carey, Aaron Tippin, Trace Adkins, and David Letterman generously donate their time and talent to entertain and encourage our deployed forces all over the world. Working with the United Service Organizations, we provided 32 celebrity tours and 99 non-celebrity tours to 228 locations with over 1,500 performances this past year.

These tours are a great morale builder, and demand just continues to grow. So far this year, we have already sent 78 entertainment tours overseas. Thirty of these tours supported contingency operations in the Balkans, and locations in Southwest Asia to include Afghanistan, Pakistan, and Uzbekistan. However, increased deployments are creating unprecedented levels of demand, and we are prioritizing and executing these requirements as best we can. We greatly appreciate your continued support for this program that brings such great benefits to our troops and their families stationed around the world.

Fitness

Fitness is a primary component of readiness. Our ability to deploy in support of contingency requirements worldwide depends heavily on having the military positions at home station fitness centers. We earn manpower positions based on our peacetime duties, and ninety-five percent of the active duty fitness positions we earn are deployable. Military fitness personnel train to perform all of our wartime tasks, and deploy to fill any of the critical positions in field feeding, lodging, fitness, recreation or mortuary. If we are to maintain the ability to support contingency and wartime requirements, it is essential that we retain these peacetime military positions in our fitness centers.

Fitness activities enhance our troops' ability to sustain the rigors of combat and help maintain health and morale. Senior leaders at Ganci AB, Kyrgyzstan, recently commissioned an

e-mail survey of their troops to determine the best way to maintain morale in the face of extended deployments. The top ten results were published in the 14 March edition of their base newspaper. Of the top ten, eight were MWR-related and half were fitness improvements: a running trail, a pool, gym improvements, and an athletic field. The troops could not send a stronger message, and the commanders listened. The 376th Expeditionary Mission Support Group Commander stated, "The list balances mission accomplishment and quality of life...we're committed to making things better."

Your support, along with that of your fellow legislators, has allowed us to keep the focus on fitness, both abroad and at home. Four new facility projects will be underway during 2003 at a cost of \$40.3 million. We will continue to push fitness facility and program improvements to the top of our priority lists.

Child Care and Youth Programs

The Air Force is not yet able to meet all of the need for full day child care for single, dual military and dual working couples. We have more than 8,500 children on waiting lists for care with more than 75% of these children under 3 years of age. Our greatest need for additional centers are at locations such as Little Rock, Tinker, Hurlburt, Patrick, Beale, and Offutt. We have 16 projects in the outyear military construction program but we could use all of those facilities and more today.

While our child development centers and school age programs provide high quality care at a reasonable cost, they are not able to help our families with the additional types of care they need as a result of their military service. During these last two years we focused on supplementing our center programs with a cadre of unique services to help our families reduce their total out-of-pocket expenses for child care. Our Extended Duty Child Care program

provides free child care to members who have to work late, experience shift changes, work on the weekends, or who have other child care emergencies. The care is provided in contract family child care homes. This same concept is being used to provide night care to members who work round the clock at missile sites and need 24 hour care several days in a row. We also use contract family child care homes to provide child care for AF Reserve and Air National Guard personnel during their training weekends.

Since the start of the Operation Enduring Freedom, we have provided Returning Home Care to members returning from deployment. Members are provided 16 hours of care in one of the Extended Duty Homes to give them time to get their household matters back in order and spend some time with their spouse. We recently launched a variation of this program to provide care for members whose children have mild illnesses and are not feeling well enough to go to their regular child care setting.

We also focus on the older children who are part of Air Force families. We provide many programs for them including AF Youth of the Year, AF Teen Aviation Camp, AF Youth Space Camp, Missoula Children's Theatre, AF Kids' Run and numerous other offerings through our Youth Program affiliation with the Boys & Girls Clubs of America. This summer we will hold youth camps for children of Air National Guard and AF Reserve members to help them learn about their parent's life in the military and to experience a mock deployment.

Lodging

As we've reported to you over the last couple of years, we are also focusing much attention on our on-base lodging facilities. We've made great progress over the last year on our long-term initiative to build visiting quarters to a single size standard private room and private bath. This new standard not only improves the quality of life for our people, but also provides

critical force protection and saves travel costs. We've also streamlined our construction efficiencies by developing a comprehensive design guide for all visiting quarters construction projects, and are beginning to include small-scale food and beverage operations to further enhance our service to the customer. I'm happy to report that we celebrated our first grand opening at Osan AB, Korea on 5 March 2003. The positive response from the troops for this 350-room lodging facility is overwhelming. We gained congressional approval to build 4 more sets of visiting quarters at Travis AFB, CA; Nellis AFB, NV; Ramstein AB, GE; and Buckley AFB, CO. These four facilities will save Air Force \$11 million in lodging travel costs annually.

We also recently completed a wall-to-wall review of all Air Force lodging requirements. This review provides a roadmap for our future facility requirements. However, appropriated funds are still our primary source for replacing and repairing lodging facilities. The major commands and bases understand the importance of upgrading our lodging facilities, and continue to raise the priority for lodging projects in the outyear military construction program.

We've made great improvements among our temporary lodging facilities, which provide our families a place to stay together comfortably as they move from base to base. Since 1997, we have built 480 new units and renovated 235 units across 19 different bases. Currently, we are constructing 200 new units and have laid the groundwork to build an additional 140 units. This past year's wall-to-wall review of lodging also included temporary lodging facility requirements, and provides a critical planning tool to help us funnel limited constructions funds to the installations with the greatest need.

Finally, we are nearing completion of the project to replace our proprietary property management system throughout Air Force Lodging. The Services Information Management System was one of the first of its kind in the industry, but is now well beyond the end of its life

cycle. Our new Lodging Touch System is a Windows-based commercial off-the-shelf system. It will provide a central network more capable of expanding with new technology. In its second phase, we plan to web enable the system to allow further capabilities such as on-line reservations, central reporting, and direct links into the Defense Travel System.

Clubs

Over the past 50 years, Air Force Clubs have become more than just a place for lunch or a beer. They are directly tied to the Air Force mission and have evolved to meet commanders' needs, as well as the social and morale needs of the men and women under their command. They contribute directly to unit cohesiveness and provide for mutual interests of a wide and diverse group of individuals connected directly and indirectly with the Air Force. Clubs are a "place of our own for our own," which offer a safe and secure environment. There is no other physical structure, place, or organization in which all the many threads come together to create "airmanship" and "officership." Very simply, clubs embody the essence of military tradition and a proud warrior heritage.

Air Force Clubs have improved operations using innovative business practices. We implemented standardized policies and procedures, such as core menus and Air Force Catering, introduced innovative programs like our signature and name brand restaurants, and increased value to our members through the Members First program. Air Force Clubs deliver institutional values like esprit de corps, unit cohesiveness, mentoring and camaraderie – values that have been, and always will be, the foundation needed for mission accomplishment.

Funding

AF Services received at least \$44 million in appropriated funds for FY 2002, up nine percent over the prior fiscal year. Significant increases included \$29 million in fitness, \$9 million in child and youth programs, and \$20 million in costs supporting other programs including community centers, outdoor recreation, skills development, and libraries. Once again, the Air Force met all DoD standards for funding, with Category A programs receiving 97 percent appropriated fund support and Category B programs receiving 66 percent appropriated fund support.

We appreciate the Panel's previous interest in reviewing the support that could be provided to Category C activities. The Committee report on the FY01 Authorization Act expressed concern that the restrictions that were imposed in the 1980s on the amount of appropriated fund support to clubs and other Category C activities might be too rigorous, and that Category C activities might be unduly penalized as a result. The Committee had called for a report on the impact, to determine whether these troop programs were carrying the financial burden for official functions. The Department's report noted the major issue appeared to be the cost of utilities during official functions and the idle time before and afterwards, and also cited the statutory authority to pay those bills with appropriated funds. The ball is back in the Department's court now, and we continue to support their efforts to review the policy options, select the most effective solution, and make any needed policy changes.

Air Force MWR Funds experienced another challenging year due to the increased operations tempo: FY02 financial performance results decreased by 4 percent compared to FY01 and decreased by 15 percent compared to FY00. With your Committee's support, in July 2002, the Department authorized appropriated fund support for Category C activities during periods of

enhanced security conditions. This was instrumental in enabling bases to maintain and upgrade their quality of life programs during periods when troops and their families most need them.

In May 2002, the General Accounting Office (GAO) released its report on FY 00 and FY 01 contingency operations costs and expenditures. While the Air Force quality of life expenditures cited in the GAO report were lawful and generally appropriate, it was determined that the issues of perception, proper procedures, and accurate, adequate supporting documentation needed additional emphasis. Working with the financial management community, we reviewed our policies and procedures to strengthen training programs and internal controls as they relate to funds management at contingency locations. We also incorporated additional blocks on resource management in our readiness training programs, and standardized our en-route training for deploying funds custodians. We're also publishing a Services Contingency Handbook that will aggregate the latest financial management guidance and serve as a quick-reference guide for commanders, funds custodians, and anyone else making purchases in the deployed environment.

As our contingency requirements have increased, so has our need for funding. We expect to spend \$30 million this year for additional fitness, recreation, and library kits for new sites, backfilling military positions vacated due to deployments, increased Armed Forces Entertainment tours, and extended child care services for guard and reserve personnel at their home stations. We are working within the Department to ensure that the troops are adequately supported, and do not have to bear the burden of this cost through decreased programs and services.

We are excited by our progress in re-engineering the NAF accounting and payroll functions. Our 25+-year-old legacy accounting system is labor intensive, inefficient and

technologically limited. Over the past year, we have identified changes to make our processes more efficient and eliminate non-value-added processes. We are developing an enterprise resource plan that will fully integrate state-of-the-art, web-enabled, electronic financial information needed to manage Services resources. To this end, we are laying the groundwork to centralize our accounting in a shared service center and developing an acquisition strategy for a commercial off-the-shelf accounting system to capitalize on industry best practices. We spent time with Navy NAF operations in Millington, TN to take advantage of lessons learned from their experience of actually deploying a new enterprise resource system, and visited the Army's NAF centralized accounting office in Texarkana, TX to benchmark some of their practices. NAF transformation is a long-term re-engineering effort that will yield major improvements in business decision-making and resource savings.

Nonappropriated Fund Construction

Since 1994, we have aggressively reinvested approximately \$480 million of our troops dollars into over 300 new and improved facilities. This reinvestment is essential to meeting the quality of life needs of the men and women of the Air Force, and directly impacts recruitment and retention of a quality force. We continually improve our processes to ensure we make sound business-based decisions and fund the most needed requirements in the most expeditious manner possible.

In FY03 we funded \$46.3 million in NAF MWR capital improvements. However, we foresee a substantially reduced program in the future due to a projected significant decline in AAFES dividends, which fund a large part of our construction. We expect to fund at most \$34 million in NAF major construction projects in the FY04 program, which is due to you this summer. For our FY05 program, we will only commit design funds for 16 projects totaling \$33

million--and only expect to fund approximately \$25 million of those. For our FY06 program, we will conduct independent needs assessment studies on only 11 projects totaling \$43 million, to compete for another \$25 million in FY06 funding. All of these projects directly impact the quality of life for our troops and families, and we appreciate your continued support for this critical process.

Military Construction

The military construction (MILCON) program is vitally important in sustaining Air Force Services and other quality of life programs, and we appreciate the full Committee's support for several Services-related facilities in FY03. The Support Center for the Kaiserslautern Military Community Center at Ramstein AB, GE will greatly enhance the morale of visiting and permanent party personnel and their families; this will become the hub of NATO air operations when Rhein Main AB transitions to the German government. Fitness centers at Lackland AFB, TX, Hanscom AFB, MA, Andersen AFB, GU, and RAF Lakenheath, UK will move us closer to providing state-of-the-art fitness centers at all Air Force installations. Three MILCON lodging facilities at Kirtland AFB, NM, Camp Bullis, TX, and Minneapolis/St. Paul IAP ARS, MN, will greatly improve the quality of life for our military travelers at these locations. Funding future projects like these and other quality of life facilities through the MILCON program will remain critically important in supporting our troops and their families.

Base Realignment and Closure (BRAC)

We continue to attempt recovery of nearly \$108 million in exchange, commissary, and MWR fund investments at Air Force locations impacted by BRAC actions. To date, we have recovered \$36.8 million in undepreciated value of troop investments, which are deposited in the Special Treasury Reserve Account. We expect to recover an additional \$11 million. Recovery

of the remaining \$60.2 million is doubtful, due to the conveyance of most of the property through Public Benefit Conveyance and Economic Development Conveyance at no cost. Of the funds we have recovered, most have been through rent and other sales.

We appreciate the support you provided in the legislation for FY05 BRAC. Any NAFs recovered from the upcoming BRAC actions will not have to be appropriated to access them. As a result, the funds recovered from service member investments at these bases can quickly and easily be returned to the Service members to build and improve other NAF facilities supporting our troops, their families, and retirees.

Conclusion

Air Force Services has a dual mission: combat support and community service. The stories and insights I've shared with you today demonstrate that our professionals never forget the importance of what we are charged with accomplishing. Through innovative systems and programs, and the hard work of our dedicated personnel, we provide a web of support to help alleviate much of the stress our personnel and families undergo during challenging times. We are a cornerstone of morale and bring life-sustaining services to those deployed. The entire Air Force Services team makes our mission, and therefore the Air Force mission, happen every day all over the world. I'm proud of their great success. We recognize this would not be possible without tremendous support from the Total Force Subcommittee. We thank you and look forward to working with you as we press forward in helping to sustain America's Air Force.

DOCUMENTS SUBMITTED FOR THE RECORD

APRIL 2, 2003





American Military Family Services

240 Hurley Road, Coatesville, PA 19320 (610) 334-3520 agallagher@amfsnet.net

Arthur A. Gallagher Jr.
President

**To: The Subcommittee on Total Force
Re: Morale, Welfare and Recreation Activities**

Written Testimony of Art Gallagher

Mr. Chairman and distinguished members of the Committee, thank you for the opportunity to submit written testimony to you regarding the authorization of prepaid phone cards as a category for sale in the Commissary stores.

As you seek to grow the Defense Commissary Agency surcharge fund, we invite you to evaluate the many additional benefits of offering prepaid phone cards to our Armed Forces personnel and their families where they regularly shop.

Today, with all of the monetary needs for our current and future military endeavors to combat terrorism and to address other world issues, any reduction in the amount of appropriated funds needed from Congress for the commissaries will be a major benefit.

Benefits Derived from Authorizing PrePaid Phone Cards for Commissaries

- Most important, authorizing prepaid phone cards will be an immediate revenue builder to the DeCA surcharge fund, *generating hundreds of thousands of dollars annually.*
- With Armed Services members deployed throughout different parts of the Globe, utilization of prepaid phone cards will enhance their lives and be a major "morale booster" for them: to be able to keep in touch with their families and friends back home.
- Prepaid cards are essential to military personnel on a budget and who need to control costs
- An estimated \$8 million in annual revenues is a conservative estimate for the first year of sales for prepaid phone cards in DeCA.

PrePaid Phone Cards Sales Effects ... Commissaries vs. Exchanges

Will selling prepaid phone cards in the Commissaries have an effect on sales in the Exchanges?
No

The reason that authorizing this category in the Commissaries will not have a major effect on Exchange store sales is due to the "impulse nature of prepaid phone card sales".

Whenever an Armed services member spots a phone card at checkout, he or she will purchase that phone card right then at that store because of their needs or the needs of a family member.

A good comparison would be when Congress authorized the sale of magazines for the Commissaries two years ago. The first year of sales results (2002) indicate that there was no overall negative effect on magazine sales in the Exchanges.

The prepaid phone cards could easily be sold at the front-end section of the stores on the checkout fixtures with the magazines as they are in the exchanges.

A similar comparison would be with the category authorization of batteries back in the 1980's. There was no major effect on battery sales in the Exchanges when batteries were approved for the Commissaries.

Additional DeCA Revenues ... Periodical Expansion

Another area the committee should consider to increase the DeCA surcharge fund is expanding the periodicals now going into the Commissaries. Two items that would be of most benefit to our Armed Services members and their families would be language guides and maps.

Utilizing detailed travel guides and maps to find their way in a different part of the country will benefit all of our Armed Service members as they are assigned to move to a new military base.

All Armed Service member families will be able to communicate clearly with their new neighbors when they move to a foreign country by having the best learning guides to easily understand the language.

These guides and maps could also be sold at the front-end section of the stores.

Background of American Military Family Services (AMFS)

With over 28 years in retailer marketing experience, AMFS is a company that evaluates today's product mix of typical supermarket chains nationwide. This evaluation process helps to determine which product categories would be of the most benefit to our Armed Services personnel and their families in today's marketplace.

Our expertise involves the successful launch of new products as well as the implementation of numerous display and sales marketing programs.

In conclusion, approving prepaid phone cards for the Commissary stores will increase the surcharge fund significantly and at the same time provide our Armed Forces personnel and families with the opportunity to purchase these cards that will enhance their lives.

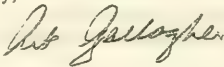
The expansion of the current authorized DeCA periodical program to include language guides and maps will also generate increased Commissary revenues.

I'm sure you will agree that anything to make the lives of our Armed Services members better is worth implementing especially when they have elected to sacrifice much in the service of our country.

Should you have any questions, please contact me directly.

Thank you again for inviting American Military Family Services to submit this testimony.

Sincerely,



Art Gallagher



Home is just a phone call away with AT&T Global PrePaid Cards

Whether at home or stationed far away, prepaid phone cards provide an easy, convenient way to keep in touch with family and loved ones. Military personnel have long recognized the value of prepaid cards as an economical way to call around the country or around the globe. In fact, they were one of the initial groups to use them.

Prepaid cards command attention!

The prepaid card category has matured and awareness is now at an astonishing 96%. It is expected that the prepaid card industry will grow 9.7% to reach \$6.4 billion by 2008.* A larger percentage of the population use prepaid cards each year as they become more prevalent in the marketplace.

Be at ease with AT&T Global PrePaid Cards.

AT&T provides telecommunication services from the U.S. to more than 200 countries and between 90 countries around the world.

AT&T Global PrePaid Cards fit the lifestyle of Military personnel and their families. They can be used to call anytime - 24 hours a day, 7 days a week, from virtually anywhere. Select cards can even be used aboard ships.

What's more, prepaid cards are excellent for people on a budget or those who want to control costs. There are no surprise bills at the end of the month because you purchase a specific number of minutes in advance. **AT&T Global PrePaid Cards** offer flat rate pricing within the U.S., no expiration date and no hidden surcharges. Cards can also be recharged with additional minutes.


*Atlantic ACM, Prepaid Calling Cards, Market Dynamics & Forecasts 2003-2008, Nov. 2002

A quality product, backed by one of the most experienced brands in the business.

Recognized for distinguished service!

Consumers look to the AT&T brand for clear, quality connections and the reliability of the AT&T Network, where 99.987% of domestic calls go through on the first attempt*. And if customers need assistance, they know trained customer service representatives are one toll-free call away, 24 hours a day, 7 days a week.

Retailers turn to AT&T for superior account support featuring a dedicated team of highly trained professionals in the areas of account management, customer life cycle management, implementation, billing and marketing.

AT&T is ready to serve!

AT&T has the marketing savvy to grow the Defense Commissary's prepaid card business. This can mean significant revenues annually for the COMMISSARY SURCHARGE FUND! AT&T also has the best prepaid technical organization in the industry to ensure on-time, on-budget, hassle-free execution of the prepaid card program.

AT&T offers a wide range of card denominations, packaging options, delivery and activation methods to choose from. Plus AT&T can provide a variety of POP materials to help the Commissary stores strategically position and effectively sell the cards.

Enlist in this winning opportunity.

As Congress seeks to serve those who honorably serve us, consider making one of the most essential communications tools for our military personnel available at the Commissary stores —

AT&T Global PrePaid Cards!

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Commentary submitted by the

NORTH AMERICAN PERISHABLE AGRICULTURAL
RECEIVERS

on

PRODUCE PROCUREMENT FOR MILITARY
COMMISSARIES

before the

TOTAL FORCE SUBCOMMITTEE

HOUSE ARMED SERVICES COMMITTEE

April 2, 2003

The North American Perishable Agricultural Receivers (NAPAR) is most grateful to this committee for its leadership in preserving and improving the commissary system for military service members, military retirees and their families, and for ensuring that commissaries provide their customers with the freshest locally grown produce.

NAPAR is a national trade association located in Washington, DC, representing independent produce wholesale receivers. NAPAR members are predominantly small businesses with combined annual sales in excess of \$4 billion. NAPAR formed an operating alliance with the Food Marketing Institute in 1999 enabling it to function independently while expanding the services to its members. NAPAR members greatly appreciate the opportunity to share our views with this panel.

The solid working relationship between the Defense Commissary Agency (DeCA), the Defense Supply Center Philadelphia (DSCP) and the small-business community who supplies them has enabled DeCA's produce operations to achieve remarkable success. A recent move by DeCA to procure fresh-cut produce through a private national contract however, has caught our attention and any expansion of this practice would have NAPAR members deeply concerned.

In 1998, NAPAR, along with the United Fresh Fruit & Vegetable Association and other organizations, initiated the Industry Committee on Procurement of Produce for Military Commissaries, composed of small business produce suppliers, representatives from (DeCA), and the (DSCP) and its Defense Subsistence Office (DSO). This informal Committee served as a forum to discuss the expectations and levels of service DeCA would require from the DSO and its suppliers in order to improve the quality of produce and support necessary to enhance DeCA's produce operations. The results of these discussions have been significant, and all parties involved have worked hard together to assist DeCA's produce operations to achieve success on many levels.

Initially, DeCA developed a group of 12 expectations, ranging from electronic ordering to regular visits (at least quarterly) to each commissary by DSCP personnel and demanded that the cost of DSCP's services to DeCA be dramatically reduced. Over the intervening five years, the expectations have been met and numerous ongoing tasks have been incorporated into the regular routine of operations. Over time, other issues and opportunities have come up and been addressed by the committee. Again and again, customer surveys have shown that the commissary system is improving and considered to be a critically important benefit.

In 1998 DeCA had produce savings of 26.3% compared with commercial grocery store prices. Produce department sales were stagnant and service was unacceptable. A 1998 customer service survey showed produce to be the worst part of DeCA customers' shopping experience. By fiscal year 2002, savings had risen to 34.8% (an 8.5 percentage-point increase and a 4.8 points greater than DeCA's goal of 30%). In addition, DeCA customer-service surveys indicated that produce surpassed all other perishable

departments but meat. During this time, the DSCP surcharge to DeCA declined from \$7.7 million in 1998 to \$3.0 million in 2002, and shall be further reduced in 2003.

Despite stagnant overall store sales, produce sales increased by 5.7% in 2001. Again in 2002, fruit and vegetable sales were up, this time by 3.2% despite a 2% decrease in total store sales. The dramatic increase in produce sales over this time period is even more impressive when considering there were 294 stores in 1999; 14 more than in 2002.

DeCA, DSCP and small-business fresh fruit and vegetable suppliers nationwide continue to make progress in establishing produce as a destination category in commissary stores. The model warehouse concept of Direct Marketing Logistics (DML) in Tidewater, Virginia, has streamlined the operations and cut costs by combining storage, handling and transportation. Successful DML operations have remained in New England, Baltimore, Tidewater, Jacksonville, Birmingham, San Diego, Los Angeles and Seattle. DSCP's 100% Direct Vendor Delivery (DVD) program continues to provide customer support to stores located in Colorado, Nashville, Missouri, San Antonio and Alaska. DeCA, DSCP and the small business community strive to continue working together to improve the quality of produce delivered to the commissary patron.

In 2002, DeCA announced a proposed 25% reduction of in-store labor expense, later revised to 10%. In this labor-intensive business, it will require unprecedented innovation and industry cooperation to avoid the problems usually associated with understaffing. DSCP and its small-business suppliers are helping to decrease store-level administrative costs and increase productivity. Small business suppliers have taken it upon themselves to assist stores with in-store merchandising support, pre-built displays of seasonal produce, more value-added produce items and services, and larger units of sale items.

In 2002, DeCA issued a private national contract for bagged salads and other fresh-cut produce items, essentially cutting DSCP and the small businesses who supply it out of the competitive bidding process. While we recognize that DeCA reserves the right to procure certain fresh-cut produce items through its resale ordering agreements, NAPAR members believe that expanding this program beyond "fresh-cut items" would siphon sales volume from the very system and businesses that have enabled DeCA's produce departments to achieve their remarkable success.

More specifically, NAPAR members are deeply concerned that if DeCA decides to issue private national contracts through its resale ordering agreements for commodity items like bananas, potatoes, onions, apples, celery and oranges, then DSCP and the small-business distributors who supply it would be severely affected. In addition, the promise of reduced procurement costs might seem appealing in the short run. Without an adequate support system however, product freshness, quality and selection, on-time deliveries and adequate inventories would suffer in the long run. We believe the greatest long-term advantages will result, not from "cherry picking" the DSCP system, but from an enhanced partnership between DSCP and DeCA — one that takes advantage of DSCP's competitive small-business supply chain, its advanced logistics, marketplace buying power and experience.

Over the past several years, DeCA and DSCP have partnered with their small-business suppliers to improve product quality, variety, consistency and service, while creating lower prices for commissary customers. DSCP and DeCA have reduced unit cost, improved merchandising techniques, upgraded the workforce, improved the infrastructure and leveraged technologies. While these are ongoing endeavors, continued improvement in each will result in a more competitive commissary system.

2003 Report From the
INDUSTRY COMMITTEE ON PRODUCE
PROCUREMENT
FOR MILITARY COMMISSARIES

to the

TOTAL FORCE SUBCOMMITTEE

HOUSE ARMED SERVICES COMMITTEE

April 2, 2003

In 1998 an informal committee was created to examine the most efficient means of supplying fresh fruits and vegetables to the U.S. military commissaries.

The committee, still active today, is comprised of members from small business produce suppliers, a private sector trade association, and two Department of Defense agencies. The North American Perishable Agricultural Receivers (NAPAR), a Washington, DC-based, national organization representing small-volume produce wholesalers serves as coordinator for the committee. Representatives of the Defense Commissary Agency (DeCA) and Defense Personnel Supply Center Philadelphia (DSCP) participate in discussion with members of NAPAR and other distributors. In 1998 NAPAR, United Fresh Fruit & Vegetable Association (UFF&VA) and other organizations, initiated this body after DeCA announced plans to test direct produce purchasing from several large business distributors, excluding from the process DSCP and potentially a large number of competitive and efficient small business wholesalers, shippers and distributors.

To address DeCA's initial concerns on vendor costs and performance, a list of 12 program support expectations was created. These matters ranged from electronic ordering to regular visits to each commissary. By 2002 the dozen requirements were implemented and have now been expanded. Quality, service and prices to commissary customers have improved as a result of these efforts. A 1998 customer service survey showed produce to be the worst part of DeCA customers' shopping experience. In 2002, the produce rating showed the greatest increase in customer satisfaction. DSCP and DeCA successfully reduced product unit cost, improved operational and logistical support, enhanced merchandising techniques, fashioned the workforce, improved infrastructure and applied the latest systems technologies.

In 1998 DeCA had produce savings of 26.3% versus commercial grocery store prices. Produce department sales were stagnant and service was unacceptable. By fiscal year 2002, savings over commercial competition had risen to 34.8%. DeCA direct reimbursement costs have been reduced over this time from \$13.8M in 1998 to \$7.5M in 2003 and shall be further reduced through 2004. This total cost is currently paid by DeCA's patrons.

Produce sales are up. Despite stagnant store sales, in 2001 produce sales increased by 5.7%. Again in 2002, fruit and vegetable sales were up, this time by 3.2% versus total store volume being down by 2.0%. In 1999 there were a total of 294 stores; 14 more than in 2002.

Produce Assistance Teams have established themselves as valuable tools in improving performance in produce department operations. The team is comprised of DeCA and DSCP personnel working together to validate and track performance, review produce department staff, and provide hands-on training. When deficiencies are identified, DeCA and DSCP managers work cooperatively to cure problem situations. As a result, product quality in produce departments has become more consistent across the board.

DeCA's compliance with 1998 DOD Report to Congress on its plan for produce procurement and its partnership with DSCP is producing outstanding results.

CURRENT INITIATIVES

Program successes include re-engineering of DSCP's warehouse and distribution program through a variety of applications, including consolidation and privatization.

DeCA, with DSCP assistance, has trained produce department managers and clerks in all stores. This includes classroom training on new items, market forecasts, merchandising techniques, and quality/price expectations.

Communications and order tracking have improved between DSCP and DeCA as well. Produce procurement meetings, DSO/PBO (Produce Buying Office) visits, surprise produce assistance team store visits, market reports and supplier evaluation sheets all improve information quality and frequency. Both DSCP and DeCA provide additional information directly to the stores through a variety of programs such as the monthly Produce Newsletter, weekly emails, and periodic Produce Hints.

DeCA personnel have upgraded and updated store equipment to expand and enhance the presentation. The "European tables" appearing in new and remodeled produce departments are current "state of the art" produce displays. Where necessary, commissaries are updated with new equipment, signage and systems, including: electronic ordering, pricing, and inventory control and product quality programs.

DSCP improved retail support and quality by increasing their local product purchases, weekly catalog pricing, shorter order/ship times, e-mailed final buys, fewer Not in Stocks (NIS) and rejects, and improved transportation initiatives.

DeCA, DSCP and fruit and vegetable suppliers nationwide continually progress in establishing produce as a "key category" in commissary stores. DSCP's consolidation program streamlined operations and costs by combining storage/ handling, transportation and merchandising. This system is consistently successful in Philadelphia, New England, Maryland, Virginia, Texas, Jacksonville, Birmingham, San Diego, Los Angeles and Seattle. DSCP's 100% Direct Vendor Delivery (DVD) program continues to provide customer support to stores located in Denver, Nashville, Missouri, San Antonio and Alaska. DeCA, DSCP and the small business community strive to continue working together to improve the quality of produce delivered to the commissary patron.

As part of the consolidation agreements and long-term acquisitions established within the network of mission areas nationwide, produce merchandisers hired by the vendors coordinate local merchandising efforts to support commissary produce departments. Additionally, DSCP has its own merchandisers providing merchandising support and training to commissary stores nationwide and overseas. In San Diego California, local small business vendors assisted DeCA in the development of the "DeCA Produce Training Handbook" for the DeCA Western Pacific Region. If requested by DeCA, the vendor base also takes an active

role in assisting area commissary produce managers with resets and daily produce department operations. In addition to product and cooking demonstrations by merchandisers commissioned by DSCP's vendor base, small purchase contracts established by DSCP allow for monthly in-store product demonstrations at each commissary location nationwide. Special buys, featured items, introduction of new items, case lot, farmers market sales and special in store promotions have also been implemented as part of this marketing program. DSCP is coordinating these joint efforts from all of their field offices as part of this successful government and industry re-invention program.

The improvement in military buying and commissary distribution of fresh produce extends to U.S. installations worldwide. CONUS and the overseas stores benefit from leveraged buying. Over \$317,000,000 in produce is provided for this diverse customer base. The produce network is completely commercialized and privatized to take full advantage of state-of-the-art produce concepts. The DSO system is very flexible and capable of handling diverse customer needs. Overseas customers are offered fresh fruit and vegetables grown in-country, as well as produce imported from U.S. fields. These imports are shipped in Controlled Atmosphere Reliable Transportation (CARTS) containers or by airlift channels. The variety of sources ensures product quality, variety and availability. The DSO Logistics network also provides worldwide readiness capability and overseas contingency/mobilization support for perishable subsistence to include chill and freeze items as well as non-perishable items to all DSCP export customers.

CHALLENGES IN THE FUTURE

There are two large challenges that DeCA faces in the next several years to maintain the commissary benefit.

The first is the 2002 announcement by DeCA of a 10% budget reduction. In a labor-intensive industry, this will require unprecedented innovation and cooperation to avoid adverse results. DSCP and the trade are decreasing administrative costs and increasing store level productivity. Pre-built displays of seasonal volume merchandise, more value added produce and services, and larger units of sale items are some of the ways that produce is currently being enhanced in the produce departments.

The second challenge is to create a shared vision between the DeCA and DSCP organizations. Specifically, DeCA consolidated regional contracts for brand name salads and fresh-cut produce items to one central merchandizing agreement with three small business vendors and multiple transporters. This is consistent with the 1998 DOD report. Small business vendors who supply DSCP are concerned that continuation or expansion of the program into other value-added items and produce commodities will siphon sales volume away from them and weaken the very system and businesses that have assisted DeCA's produce departments to achieve their remarkable success. They believe the greatest long-term advantages will result from an enhanced partnership between DSCP and DeCA. One that takes advantage of DSCP's efficient and competitive small-business

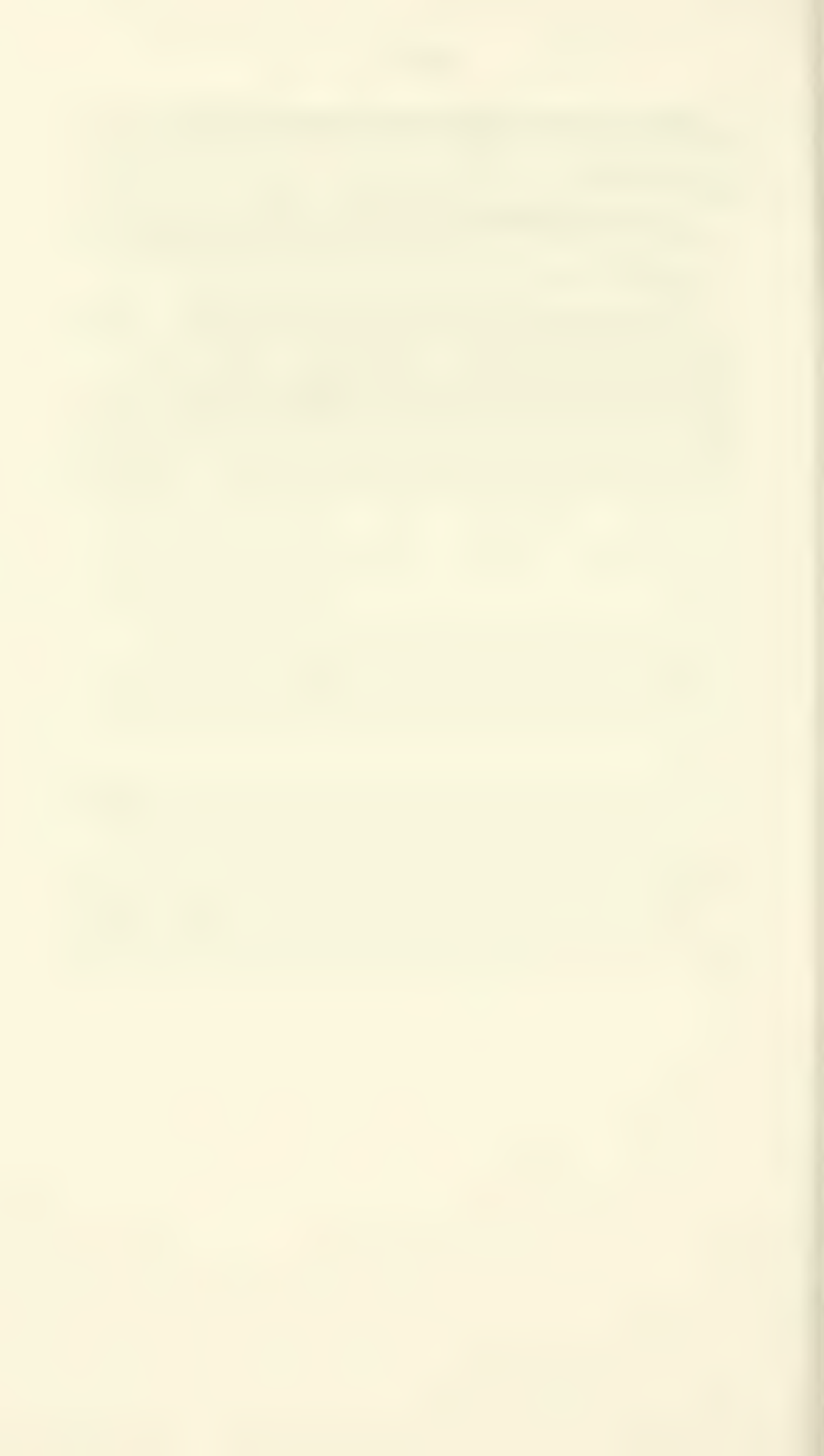
supply chain, their advanced logistical capabilities, marketplace buying power and experience.

IN CONCLUSION

The informal committee was created to assure the greatest efficiency in Department of Defense produce buying and has been effective to a degree far beyond its initial charter. In these trying times such cooperation and efficiency set a standard that is a tribute to all who have been involved.

Over the past two years, DeCA and DSCP have partnered with their small-business suppliers to improve product quality, variety, consistency and service, while creating lower prices for commissary customers. DSCP and DeCA have reduced unit cost, improved merchandising techniques, shaped the workforce, improved infrastructure and leveraged technologies. While these are ongoing endeavors, continued improvement in each will result in a more competitive commissary system

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**QUESTIONS AND ANSWERS SUBMITTED FOR THE
RECORD**

APRIL 2, 2003

QUESTIONS SUBMITTED BY MR. MCHUGH

Mr. McHUGH. The exchanges have sought to decrease some of the restrictions established by Congress and published in the ASER. Of particular interest are: (1) Lifting of the restriction on television sets with cost to the exchanges in excess of \$3,500 and television sets involving large screen projection; (2) Lifting of the restriction on diamond settings with individual stones that exceed one carat; (3) Lifting of the restriction on finished furniture with per unit (piece) cost to the exchange in excess of \$900; And (4) lifting of the restriction on new capital construction or renovation of an exchange facility for the purpose of selling furniture.

General Frost and Admiral Maguire, have you done your homework in determining the attitude of private sector vendors on these issues and what level of resistance did you encounter? Do you believe there is a market within the military community for these products?

General FROST. Chairman McHugh, at the direction of the Secretary, we are working with the Navy and Marine Corps exchanges to conduct a mail survey of affected business and trade organizations to assess the impact of the proposal to lift some ASER merchandise restrictions. This survey will target individual businesses (large and small), local chambers of commerce, military base support communities at bases located in rural and metropolitan areas. Local and national trade organizations will also be surveyed. The exchange report to the Department will also include an estimate of the affect on customer savings, satisfaction, sales, profits and MWR dividends.

I'm convinced that, while there may be anecdotal objections to lifting the restrictions, the original intent of the ASER, to protect small businesses, has long since been overcome by the advent of the Big Box retailers. We do not anticipate that lifting the restrictions will dramatically impact other retailers sales or earnings. Instead, it will remove well intentioned, but outmoded, obstacles to our military customers convenience satisfaction, and savings.

Indeed, there is a market for this merchandise. As I travel to exchanges, customers continue to tell me they want projection TVs, larger diamonds and more furniture, all at AAFES low prices. With AAFES Military Star interest rates significantly lower than industry on big-ticket purchases, it only makes sense that our customers should have the opportunity to use their in-house credit card for these purchases.

The time is right. Our young men and women on the front lines defending the American way of life today should be able to purchase anything their hearts desire. When they return, I expect family and home will be the center of their universe how great it would be to see the currently restricted items, all home and family oriented, available to them in their store. Their sacrifice, their contribution to our freedom and to our way of life deserves this small enhancement to the exchange benefit.

Admiral MAGUIRE. NEXCOM supports the elimination of ASER restrictions as a means to enhance the exchange benefit and improve quality of life for military service members and their families. In 1997 and 2000, some ASER restrictions were lifted. In a cooperative effort, NEXCOM, AAFES and MCX surveyed local merchants and Chambers of Commerce to request the impact on their businesses from lifting the restrictions. Of the surveys, NEXCOM sent 202 to merchants and 30 to Chambers of Commerce over two years. We received only one response, which was positive from one Chamber of Commerce. The lack of response by merchants to our surveys is a clear sign that our merchandise category changes have not affected local businesses.

The positive patron feedback, evidenced by a strong and steady increase in merchandise availability score from 56 to 67, for the Customer Satisfaction Index since 1997, shows that we are doing the right things for our customers and need to continue to meet their needs with the full range of consumer electronics, furniture and jewelry. Service members deserve the right to find what they want at their exchange; their reaction to our assortments, as measured by actual sales results, should be the deciding factor in what we carry. I strongly support the lifting of all ASER restrictions.

Mr. MCHUGH. In many cases, DeCA relies on brokers and vendors to stock store shelves. The vendors increase the costs of goods to cover this service. Commissary brokers and vendors have expressed concern that providing a workforce to stock shelves is becoming too difficult and expensive, particularly in areas with low unemployment and high wage rates. Most of the brokers and vendors would like to be relieved of the burden to stock shelves and would reward DeCA with significant price reductions. General Wiedemer, I know industry has been talking with you on this subject.

1. Do you want to assume responsibility for shelf stocking and relieve the brokers and vendors of the task?
2. It occurs to me that you cannot economically perform this function using the Federal civil service personnel system that is structured to accommodate the 9 to 5 office worker. What modifications would be required to add needed flexibility to the personnel system?
3. Would you agree that some modification of the financial structure of the Commissary may also be needed to accommodate a test?

General WIEDEMER. In the supermarket industry there are certain product categories where traditionally manufacturers have provided support for getting their items on the shelf, for example, sodas, snacks and bread. In the Defense Commissary Agency, over time, this support has been significantly expanded to include categories like health and beauty aids, frozen foods and chilled products. The idea originated in the 1960s and was offered to the commissary system as an incentive to add new categories of products that were entering the marketplace without seeking additional appropriated fund support. Vendor stocking of these items has no counterpart in the commercial sector. Today, such stocking by vendors is spotty, at best, and DeCA has had to incur the additional cost for stocking these items. This is unfortunate since the patron has already paid for the stocking of those products in the price paid for the item. Additional appropriations would be required if DeCA were to undertake the responsibility of stocking more products. Without additional appropriations, a modification of the financial structure would be required. Vendor stocking has been a problem for a number of years, but we are committed to working with our industry partners to find an acceptable solution to this problem.

Mr. MCHUGH. Two ideas that have been offered to reduce appropriate funding for commissaries and increase savings to patrons are: (1) introduction of products under a private DeCA label; and (2) the authority to sell commissary products above cost, known as variable pricing. General Wiedemer, what is your perspective on variable pricing and private label? How would such pricing schemes affect DeCA's relationship with industry?

General WIEDEMER. As recommended by the General Accounting Office, we are initiating an unbiased study to determine the effect a private label program, including such a program supported by variable pricing, would have on DeCA.

Mr. MCHUGH. Do you have the authority to grant General Wiedemer the needed flexibility in the personnel system?

Secretary ABELL. Yes, the system can accommodate the establishment of the positions identified in your earlier question. However, the current personnel system is indeed not structured to support, at the level necessary, all of the varying positions and missions in the Department of Defense. We have submitted legislation as part of the Secretary of Defense's transformation package that introduces the National Security Personnel System (NSPS). Passing NSPS would give the Department the ability to better support the unique civilian personnel needs of DeCA.

Mr. MCHUGH. If an agreement can be reached on the proper balance of the financial structure, would you support a demonstration project to test the new shelf stocking procedures and personnel system?

Secretary ABELL. We do not recommend another personnel demonstration project in the Department, rather, support for National Security Personnel System (NSPS) would meet the needs of DeCA as well as other important functional communities.

Mr. MCHUGH. What is your perspective on the need to lift the ASER restrictions?

Secretary ABELL. I support greater flexibility for the exchanges to provide our Service members and their families with products that meet customer expectations and needs. In this regard, I have approved the Exchange Commanders' plan to survey local communities to assess the impact on lifting restrictions on all TVs, diamonds, and furniture. Should the surveys support lifting these restrictions, we will forward our report to you.

Mr. MCHUGH. Secretary Abell, are the ideas such as variable pricing and private label sound options for DeCA?

Secretary ABELL. We believe that variable pricing and private label products in DeCA should be part of the tool box DeCA has to manage the cost of its operations

and sustain the benefit for our military personnel, their families, and our retirees. DeCA has achieved cost savings by streamlining their headquarters, region, and store operations, without sacrificing customer service. To sustain the commissary benefit through the transformation process, we are exploring other opportunities to reduce the taxpayer burden without diminishing the benefit. Studies are underway to develop operating concepts for workforce shaping, meat procurement, variable pricing and private label products, and further organizational restructuring. These initiatives will be evaluated to determine what is best for our customers. If either or both of these options appear feasible, they will be pursued in consultation with the Congress.

Mr. McHUGH. The National Defense Authorization Act for Fiscal Year (FY) 2000 authorized and encouraged the Services to expand child care capacity by partnering with local communities. While I am aware of a number of initiatives that have been tested, there does not appear to be the level of commitment and investment needed to significantly improve capacity. As this panel well knows, waiting lists are still common, child care center construction has slowed, and the estimate of demand remains high. There may be a new initiative to reexamine the true level of child care demand, but it is true that there remains considerable demand that is not addressed.

What needs to be done to energize greater interest in responding to the demand for child care? In your view, does child care not compete well for funding because commanders do not agree with the Congressional conclusion that child care is important to combat readiness? Is the Congress wrong in emphasizing the need to increase capacity?

Mr. MOLINO. The Department of Defense views child care as a work force issue that is critical to the overall accomplishment of the military mission. Commanders strongly believe child care is vital to readiness as demonstrated through Services' testimony. However, commanders face challenges for construction of child development centers (CDCs) due to competing priorities, such as family housing, environmental remediation, security initiatives, runways, piers, and maintenance facilities.

Congressional emphasis to provide high-quality, affordable care and expand availability is paramount to the success of the military child development system (CDS). Recently, Congress demonstrated its strong commitment to military child care by authorizing supplemental emergency funds to provide extended-hours child care. Without this funding, meeting the child care needs for many families during a time of high alert would not have been possible. We are grateful for your foresight to make this funding readily available when it was so crucial.

The small number of CDC construction projects programmed for FY 2003 and 2004 does not provide the impetus to establish sufficient spaces toward meeting the child care need. Last year DOD lost 3,900 spaces in Family Child Care (FCC) homes due to a variety of circumstances, to include spouses accepting other employment opportunities, high operations tempo, extending hours of care to accommodate longer work schedules of military parents rather than increasing capacity, and reduction in numbers of living quarters due to renovation and privatization. As FCC is a valid and viable part of the total DOD CDS, it is recognized that this particular arm of the delivery system can only have gains with the expansion of subsidies.

Section 584 of the National Defense Authorization Act for FY 2000 opened the door to innovative ways to expand the availability of child care to meet the needs of armed forces members and to support the integration of children and youth in civilian communities. The Services have used this authority to locate child care space off the installation through contracts and partnerships. While this is a beginning, rapid growth in this area is limited by budget constraints, the lack of accredited centers in the civilian community, and the limited number of spaces for infants and toddlers.

DOD recognizes the necessity to promote program growth. A report to Congress in 2000 outlined a plan for meeting child care demand through construction by 2007. While the goal for providing 25,000 additional spaces will not be reached by 2007, the Department is working to achieve a minimum recapitalization rate (\$12 million) to sustain our current infrastructure. Further expansion can best be accomplished through subsidizing family child care homes, both on and off the installation, and subsidizing high quality center spaces in the civilian community where they exist.

A RAND study is reexamining the child care need formula. While the study is still underway, initial feedback suggests the calculation of need may require minor modification, but provides a reasonable estimate of the child care need in the military. The current demand formula indicates a current need of 41,373 spaces in the Department.

Congressional concern and support for child care is welcomed. The Emergency Supplemental Funding is an excellent example of strong congressional support that made a positive impact on military members and their families.

Mr. McHUGH. As Chairman of the Commissary Operating Board, you are frequently tasked with reviewing commissary operating practices and procedures to include recommendations regarding establishment and or disestablishment of commissaries.

Are you comfortable with the existing criteria for assessing the need for establishing and or disestablishing commissary services at specific locations?

General ZETTLER. I am reasonably comfortable that the criteria adequately address most situations. However, the Commissary Operating Board working groups and DeCA representatives recently completed a review of the criteria. Based on their feedback, DeCA is proposing some revisions and will recommend changes up through the Commissary Operating Board structure to OSD.

Mr. McHUGH. As Chairman of the Commissary Operating Board, you are frequently tasked with reviewing commissary operating practices and procedures to include recommendations regarding establishment and or disestablishment of commissaries.

Using the commissary at Fort Monroe as an example, how are the criteria applied?

General ZETTLER. Fort Monroe showed a continuing decline in sales and patronage, which could easily be absorbed by larger commissaries in that area: Langley AFB (10 miles); NAB Little Creek (11 miles); and NB Norfolk (14 miles). When all the criteria were considered in aggregate, the Army recommended closure of the Fort Monroe commissary and the Commissary Operating Board concurred. The Department approved the closure and provided notification to Congress.

Mr. McHUGH. About this time last year members were swamped with constituent concerns about reductions in the DeCA budget and potential long-term implications of those reductions.

What is your assessment of the impact of the reductions and the actions taken to preclude adverse impact on the quality of commissary service?

General ZETTLER. DeCA accomplished its initial planned reductions without adversely impacting the patrons—a commendable performance. However, these actions took DeCA store operations to their minimal funding levels. There are no further managerial or budgetary flexibilities to handle unforeseen or non-programmed events. The DeCA Director and the Commissary Operating Board are closely monitoring subsequent issues that could impact operations to minimize customer impact.

Mr. McHUGH. Last year DeCA implemented a strategic plan to reduce its operating costs by 7 percent by fiscal year 2004. The major focus of the unit cost reduction objective was to reshape the workforce by reducing full-time positions and developing a more efficient organization. The announced intent of the plan was to reduce DeCA's appropriation by a total of \$137 million in fiscal year 03 and reduce annual operating costs through the out years.

What is your assessment of the progress in implementing the plan?

General ZETTLER. In some respects, DeCA is a year ahead; it has already met its fiscal year 2004 goal of reducing operating costs by 7 percent. However, while efforts to reshape the workforce have already begun, additional strategic initiatives may allow DeCA to manage its large civilian staff better and develop an even more efficient organization.

Mr. McHUGH. Last year DeCA implemented a strategic plan to reduce its operating costs by 7 percent by fiscal year 2004. The major focus of the unit cost reduction objective was to reshape the workforce by reducing full-time positions and developing a more efficient organization. The announced intent of the plan was to reduce DeCA's appropriation by a total of \$137 million in fiscal year 03 and reduce annual operating costs through the out years.

What has been the impact on the quality of the service provided to the patrons?

General ZETTLER. Even with the cost reductions, DeCA patrons say that customer service has never been better. The latest Commissary Customer Service Survey confirmed that DeCA continues to provide both low prices and superior customer service—a combination that's hard to achieve in the commercial grocery business. DeCA's outstanding customer service was confirmed by the Fall 2002 report of the American Customer Satisfaction Index (ACSI). DeCA's rating of 75 is slightly above the U.S. supermarket industry average. Finally, the title of the General Accounting Office's recent review tells it all: "Personnel Reductions Have Not Hampered Most Commissaries' Store Operations and Customer Service." The report concludes, "Despite the workforce reductions, store operations and customer service have been maintained at the same level, and in some cases improved."

QUESTIONS SUBMITTED BY DR. SNYDER

Dr. SNYDER. I would like you to provide to the committee information that explains what might expand on the distinctions from the quality of life and family survey. As I read this, it says percent of applicable Service members. And I would assume that is people who actually have a kid in the child care on the base. One out of three military families are expressing dissatisfaction with the on base child care.

Secretary ABELL. The DOD Child Development Program has been recognized as the first child care model for the nation, and boasts very high quality care as measured by staffing levels, training and the National Association for the Education of Young children (NAEYC). The percentage of dissatisfied patrons correlates to the percentage of patrons not being served in on-base programs. The survey, while raising concern over the on-base child care, gives no indication of the nature of this concern. The survey identified 33% dissatisfied with on-base child care. The Services are currently meeting 60-70% of the recognized need for full day child care. Currently, DOD is providing 174,177 spaces, but still requires an additional 40,000 more spaces. Based on waiting lists across Services, specific concerns noted in other surveys, and the issues raised at recent hearings at locations with high operations TEMPO, many of those concerned are dissatisfied with the amount of available care.

The key goal of the DOD child development program is to meet the needs of working parents. Some parents want drop-in care to support family convenience on medical appointments. While installations offer some hourly or drop-in care through center space, designated Family Child Care (FCC) homes or care on site for meetings or gatherings, the fact remains that the primary mission is to serve working parents.

Just last year DOD lost 3,900 spaces in FCC homes due to a variety of circumstances including spouses accepting other employment opportunities, extending hours of care to accommodate long work schedules of military parents rather than adding spaces and reduction in numbers of living quarters due to renovation and privatization. Availability has been a continuing challenge for the Department. At some locations there is a waiting list for all types of care; at others there is a waiting list for specific age group. Many need multiple child care arrangements to accommodate lengthy workdays.

DOD is adding questions to future surveys to focus specifically on the availability of care—hours, purpose, and location.

We appreciate congressional support in the form of emergency funding. The \$8 million dollars in emergency supplemental funds assisted immensely in adding extended hours, in providing care for mildly ill children, in providing additional hourly care and in adding assistance for children of the National Guard and Reserve Components personnel; however, not every initiative is currently available at every installation. Local commanders still have the flexibility and authority to add programs and hours based on local stated needs and mission requirements.

It is a continuing challenge to sustain our baseline Child and Youth Programs and develop the infrastructure that will allow us to provide predictable services. Most importantly, DOD is committed to meeting the child care availability challenge through a variety of means and expansion plans.

QUESTIONS SUBMITTED BY MR. MEEHAN

Mr. MEEHAN. With regard to exchange consolidation: Have you seen compelling evidence to specifically substantiate or validate the benefits of consolidation?

General FROST. Congressman Meehan thank you for the opportunity to speak to these important questions. AAFES provides exchange service for both the Army and the Air Force—So I see compelling evidence of the benefits enjoyed by those two services every day. I believe the AAFES example, in part, led Secretary White and Secretary Roche to also support the initiative. Some of those benefits are what you might expect. For example, we avoid redundant overhead in virtually all aspects of running the business. In addition to the greater economies of scale the larger business brings, we also enjoy increased purchasing power. I believe these contribute to our ability to sustain and improve the exchange benefit in the face of active duty reductions in past years, lost markets due to past and future BRAC rounds, increased competition and the demands of supporting deployed forces.

While I would think the same benefits I see accruing to the Army and the Air Force from AAFES could extend to the Navy and the Marine Corps, I understand Admiral Maguire and General Downs have a different perspective. To me, the successful AAFES support to the Marine Camps on Okinawa, and at the Naval Air Station—Joint Reserve Base, Fort Worth, demonstrate that it is the benefit that's important to our patron—not the sign over the door.

Admiral MAGUIRE. No I have not seen compelling evidence to specifically substantiate or validate the benefits of consolidation, as stated in my testimony. To date there has been no business case made for consolidation and I view this proposed action as a merger. Since the consolidation topic arose a few weeks ago, I have been doing my homework on mergers and acquisitions. There are general themes that the professionals hit on. First, prospective cost savings are rarely attained. Second, there is enormous risk in achieving success without a common IT backbone at a reasonable cost. Finally, integrating culture into the larger organizations fails half of the time without a plan and strategy for employees.

If the exchanges are merged value must be created. Value in these terms would include increased net profits, increased contributions to MWR and lower overhead. The exchanges have a dual mission—providing quality goods and services at a savings and supporting Quality of Life programs, through contribution of profits to MWR. Any consolidation would need to recognize both of these missions.

The Department of Defense 2002 Status of Forces Survey reported that of all the quality of life programs, our service members are most satisfied with their exchanges and commissaries. This survey, combined with the exchanges' increases in customer satisfaction scores and increases in sales above most commercial retailers suggests to me that the current system is not broken. In my opinion, without a compelling business case and a detailed plan to avoid the pitfalls associated with failed mergers, we should not rush to consolidate the exchanges.

Mr. DOWNS. I have seen no compelling evidence that consolidation would benefit the Marine Corps. In fact, it would have a detrimental impact on our ability to serve Marines and their families. The Marine Corps undertook a significant transformation action in 1988 with the establishment of a consolidated exchange and MWR organization, and then again in 1999 with further consolidation of Family Services, Child Care, and Voluntary Education to create Marine Corps Community Services (MCCS) under a single overhead structure. We have experienced great efficiencies as a result of the MCCS consolidation. An exchange consolidation initiative would require us to dismantle this "proven" organizational structure. To do so would marginalize the efficiencies achieved, and result in higher MWR program costs and lower MWR dividends.

It is important to note that the Marine Corps Exchange dividend is not declining, but rather increased by 15 percent from 2001 to 2002. This result is made possible because the Marine Corps Exchange system has the highest profit to sales and dividend to sales ratios of all the exchanges, being 2 percent better in both areas than the next best exchange system. If the exchanges had been consolidated in 2002 and we applied the dividend to sales ratio of that next best exchange system, Marine Corps MWR would have experienced decreased dividends of \$13.2 million, or 38 percent. We had projected an increase in our dividend again in 2003 before experiencing sales declines associated with Operation Iraqi Freedom (OIF) deployments.

Mr. MEEHAN. What are your personal views regarding the effectiveness of the exchange directors' search for and implementation of agreements and operations among the exchange systems that are determined to be mutually beneficial and increase efficiency of the exchange systems?

General FROST. You also asked about mutually beneficial "cooperative efforts". There certainly are some important successes that demonstrate the potential we have when things come together:

Our all-exchange catalog and e-commerce operations have been recognized with industry awards.

Our Military STAR all-services private label credit program provides over 2 million cardholders a very low interest rate and the finest in customer care. AAFES' "Best of Class" scoring software conservatively sets Military Star credit limits that reduce credit problems within the Armed Services today.

The all-services "Exchange Select" proprietary brand provides AAFES quality assurance tested health and beauty care items and household products for all exchange patrons at significant savings from name brand merchandise and our competitors.

Our partnership with the USMC to provide tactical field exchange support to Marines in Operations Enduring Freedom and Iraqi Freedom has shown AAFES civilians can work effectively side-by-side with Exchange Marines. Likewise it has proven the robustness and flexibility of the AAFES supply chain to support USMC requirements.

While these efforts are remarkable, I have to note that only the Exchange Select effort among them resulted from cooperative efforts that were developed following the Department's decision in 2000 to pursue cooperative and independent efforts

rather than consolidate the exchanges. Recently we seem to cooperate well on the margin, but the efforts do not offer substantial savings. AAFES' progress in terms of reduced costs is being made through our investment in independent efforts and I understand that is also true at the Navy and Marine Corps Exchanges.

Admiral MAGUIRE. In my opinion, the exchanges have been very effective in implementing cooperative efforts that make sound business sense and increasing efficiency through individually adopting best business practices. Over the past few years, the exchanges have pursued 71 cooperative efforts with the Navy participating in all but one of these efforts. Particularly noteworthy is the launching of our new joint exchange private label, "Exchange Select" which meets the needs of our young military families by providing them quality products with an average savings of approximately 48% compared to national brands.

NEXCOM continues to make significant progress adopting best business practices. Our systems modernization initiatives use proven commercial off the shelf software and open architecture. NEXCOM's best business practice efforts and all the cooperative efforts enable the exchanges to achieve notable efficiencies with the least impact on our customers and MWR dividends and without the high level of risk associated with integration.

Mr. DOWNS. I am also concerned with the idea of further studying an issue that has been scrutinized for 35 years. In our modernization actions to achieve best business practices we have developed an exceptionally competent, motivated team of professionals that are taking us to increased levels of excellence. The Marine Corps therefore, intends to press forward with its exchange modernization plans.

Since 2000, the exchange systems have been focused on pursuing maximum efficiencies and adopting best business practices through cooperative efforts and targeted actions. I believe we are making measurable progress. Collectively, the exchanges will achieve \$97.3 million in recurring annual savings through these efforts. Compared to the cost/benefit analysis for back room integration developed by PricewaterhouseCoopers (PWC), the exchanges' savings achieved to date represent 80 percent of their annual projected savings. Importantly, these savings have been achieved without the significant costs and risks attendant to consolidation.

Mr. MEEHAN. What are your personal views regarding the major benefits and downsides of a mandated consolidation of the exchanges?

General FROST. Rather than a downside to consolidation—I see challenges and concerns. There certainly is a disturbing aspect to the idea of a mandated consolidation—although I have no doubt that is the only way it will ever happen. It will be very important for the department to consider all concerns but then, decisions must be made based on best business practices and proven capability to manage what will be an almost \$10 B business. There is no room for service parochialism. The focus must be improving the benefit, generating savings to pass on to customers in lower prices and to allow for necessary increases in the MWR dividend.

I am sure there will also be concerns among long term exchange employees, within all three systems, for their respective benefit packages. A challenge that absolutely must be met will be to bring those people together without anyone losing what they have. Our past promises must be kept.

Admiral MAGUIRE. If there were a mandated consolidation of the exchanges, possible benefits are reduction of corporate overhead expenses from singling up support functions and consistency in policy throughout one exchange system.

Downsides to mandated consolidation include the costs and potential failures in IT integration, which the professionals say are often underestimated. Second, prospective cost savings from singling up support functions are rarely realized, and third, cultural integration into the larger organization without a clear plan and strategy for the people often leads to failure.

The majority of downsides are directly related to the risks and costs associated with actual integration itself; it needs to be determined that the benefits of the business case outweigh the risks and costs of the integration in order to move forward and mandate consolidation.

Mr. DOWNS. In addition, consolidating the exchanges would be far more complex than consolidating the commissary system. Costs associated with exchange consolidation would be expected to be borne by nonappropriated funds generated by service members and their families. Costs associated with the commissary consolidation, on the other hand, were paid with appropriated funds.

Mr. MEEHAN. I note that AAFES has more than 300 employees in the combat area to provide support to those deployed forces. I have been informed that they are volunteers.

What are the compensation incentives provided to those employees?

General FROST. Within the regulatory framework applicable to U.S. Government, DOD, civilian nonappropriated fund employees, AAFES is using available incentives

in seeking volunteers to staff AAFES activities deployed in support of Operations Enduring Freedom and Iraqi Freedom. As our troops courageously answer the call to duty, over 340 AAFES volunteers have deployed with them to dangerous locations where conditions are harsh, workdays long, and accommodations austere at best.

AAFES associates receive a one-time bonus of 5% of their annual salary for tours of 90 days, 10% for tours of 180 days and 25% for tours of 1 year. They are authorized up to 20 hours of overtime per week, and a per diem of \$3.50 a day.

AAFES associates receive a Foreign Post Differential (FPD) and Danger Pay (DP), or Imminent Danger Pay (IDP) under the authority of the Department of State Standardized Regulation. FPD is established for any place when, the place involves extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions affecting the majority of employees officially stationed or detailed at that place. DP is compensation to all U.S. Government civilian employees for service at places in foreign areas where there exist conditions of civil insurrection, civil war, terrorism or wartime conditions, which threaten physical harm, or imminent danger to the health or well being of an employee. IDP is an amount of pay that may be paid when DP or FPD are not authorized. It is the same amount paid to uniformed military personnel when Hostile Fire Pay is not authorized.

Mr. MEEHAN. How do they match those provided to DOD civil service employees and military personnel in the combat area?

General FROST. The DOD civil service employees whether appropriated or non-appropriated receive the same Department of State benefits as AAFES associates, such as Foreign Post Differential, Danger Pay and Imminent Danger Pay. They receive a small per diem. They do not receive any bonus, but have received overtime.

Military personnel in a combat zone receive Hostile Fire Pay or Imminent Danger Pay but not both, tax-free income (limited to base pay of E-9 for officers), Family Separation Allowance (must have dependents), a small per diem and Hostile Duty Location Pay.

These deployment incentives and entitlements result in incremental AAFES personnel costs over and above normal personnel costs and are the major portion of the extraordinary costs of providing deployed exchange support to far flung war zones. Other extraordinary costs AAFES incurs to provide this logistical miracle include in-theater transportation, significant merchandise shrinkage/loss provisions, and costs to construct, ship and then set up the deployed facilities. Army has requested reimbursement through the Army supplemental funding process for extraordinary costs of the war from the 2003 Supplemental Appropriations. The projected incremental costs are \$37M, however these may be low. When these situations occur, AAFES seeks reimbursement through the Army supplemental funding process but proceeds, regardless, to provide support soldiers and airmen deserve.

Mr. MEEHAN. How does AAFES cost the products obtained from the commissary distribution facilities in Europe?

General FROST. There are three AAFES facilities that are provided direct merchandise support from commissaries in Europe on a continuous basis: The combined commissary/exchange (CX) at Robinson Barracks (jointly funded by AAFES and DeCA), the Stavanger Exchange in Norway, and the Doha Main Exchange store in Kuwait. Commissary sourced items are sold as a convenience to customers at the standard AAFES food markup of 15 to 20 percent at the Stavanger and Doha exchange facilities. At the Robinson Barracks CX, which is partially supported by DeCA appropriations, commissary items are sold at commissary prices (cost + 5% surcharge).

I would like to take this opportunity to clarify the service that DeCA provides to our deployed forces by provisioning AAFES outlets in Southwest Asia. When Maj Gen Wiedemer testified that DeCA provided logistical support to AAFES in Operations Enduring and Iraqi Freedom he was referring only to some 900 Commissary items stocked in one exchange, Camp Doha, in Kuwait. The Doha store has supported permanent party in Kuwait since after Operation Desert Shield and DeCA has no presence on the installation. Our deployed forces have not asked us to carry grocery items in our tactical exchanges and AAFES has not asked for or used DeCA support.

Mr. MEEHAN. For Fiscal Year 2003 DeCA estimated savings of \$14.7 million from productivity initiatives and \$22.4 million from more efficient and effective organization. How close is that estimate to actual Fiscal Year 2003 savings from those two categories of initiatives during the first two quarters of the fiscal year?

General WIEDEMER. Through the first two quarters of Fiscal Year 2003, we are on track to meet these savings estimates. They are largely the realization of actions initiated in prior years.

Mr. MEEHAN. What are your current estimates for the end of Fiscal Year 2003?

General WIEDEMER. The Fiscal Year 2004 President's Budget request reflects an additional \$10 million from productivity initiatives that will help offset price increases from inflation.

Mr. MEEHAN. What are your estimates of savings from those two categories of initiatives for Fiscal Year 2004?

General WIEDEMER. We have been successful in meeting our savings commitments, we are also experiencing a number of significant unforeseen events that are placing a strain on our budget. These include the one percent pay raise for our civilian personnel, increased transportation costs from the West Coast dock strike and support to the war effort, damages by a super typhoon in Guam, and a drop in the value of the U.S. dollar against the Euro. None of these items were covered in the Fiscal Year 2003 appropriation provided to DeCA.

Mr. MEEHAN. What is the status of the Buckley Air National Guard Base commissary construction project?

General WIEDEMER. The Buckley commissary, fully funded from the surcharge trust account at a cost of \$10.3 million, was opened on February 19, 2002.

Mr. MEEHAN. I noted in your testimony that you are supporting the war effort with a significant amount of product support to the exchange system out of your distribution facilities in Europe.

What types of products and how much is being provided?

How are the costs for these products handled?

Does DeCA receive reimbursement for the transportation or other costs associated with this support?

General WIEDEMER. We are providing support to AAFES facilities and Ships Stores in the Gulf region. As of March 21, Fiscal Year 2003 support to AAFES and Navy resale operations in Kuwait and Bahrain totaled \$2,828,704.58 for 129,390 cases of subsistence. We are sending them the full line of goods you would normally find in a small commissary, with a heavy emphasis on snack items. DeCA's support has been considerable, requiring additional hires, unprogrammed overtime, and a significant increase to our second destination transportation costs both going into the Mid-East and to re-supply our overseas warehouses. Up until this time DeCA has paid the cost of shipping these items to AAFES. The Navy has paid the transportation cost for the items going to Ships Stores. These additional costs to DeCA, which we anticipate will approximate \$5 million for Fiscal Year 2003, have not been reimbursed, but may be eligible for emergency supplemental funding.

Mr. MEEHAN. Combined stores were authorized by Congress to replace commissaries closed by BRAC. Their primary purpose was to provide a limited benefit to the Reserve, Guard and retired communities. Later, appropriated funds were authorized to be used in limited circumstances to support operations of the combined stores.

Does DeCA's support of these combined stores affect its ability to fund full-fledged commissaries?

What is the DOD plan for continuing, expanding and funding these combined stores now and in the future?

General WIEDEMER. As noted in the question, combined stores were authorized in order to provide edible commissary products at cost plus five percent for those members of the military community who would be adversely affected by a BRAC closure or realignment. Since their inception, only four combined commissary and exchange stores have been opened. Of those, only one, Orlando, Florida, receives appropriated fund support in the amount of \$418,000 annually, which is 25 percent of the last full years appropriated fund cost to operate the commissary at that installation. The reimbursement is evaluated annually, and, if validated, is budgeted for by DeCA and funded by the Services, operating through their Commissary Operating Board (COB). I am not aware of any Departmental plans regarding the future of combined stores except that the combined store criteria is being jointly reviewed by DeCA, the COB, the Exchanges and OSD representatives.

Mr. MEEHAN. We have all seen tremendous expansion in the nature and types of merchandise available for customers in commercial supermarkets.

How does the DeCA product assortment compare with today's average supermarket?

What restricts your ability to offer a wider selection?

General WIEDEMER. While supermarkets have experienced a tremendous growth in the product lines they carry, the commissary product categories have remained constant. While 10 USC § 2486 provides that the commissary is supposed to mirror the commercial supermarket industry in the United States, it authorizes only limited merchandise categories to sell. This limitation makes it extremely difficult for the commissary to meet the expectation of today's customer.

Mr. MEEHAN. Last year DeCA implemented a strategic plan to reduce its operating costs by 7 percent by Fiscal Year (FY) 2004. The major focus of the unit cost reduction objective was to reshape the workforce by reducing full-time positions and developing a more efficient organization. The announced intent of the plan was to reduce DeCA's appropriation by a total of \$137 million in FY 2003 and reduce annual operating costs through the out years.

What is your assessment of the progress in implementing the plan?

What has been the impact on the quality of the service provided to the patrons?

General WIEDEMER. Although our initiatives to reduce costs are on track, a number of significant unforeseen events have occurred that have increased our FY 2003 costs. These include damages by a super typhoon to the commissary facilities on Guam, increased transportation costs resulting from the West Coast dock strike and support to the war effort, and a loss in buying power overseas with the drop in the value of the U.S. dollar against the Euro. Finally, while our employees clearly deserve the additional one percent increase in their pay for FY 2003, no funding was provided to pay this bill. These unprogrammed requirements have put a strain on our FY 2003 budget. Nonetheless, GAO Report 03-417, "Defense Infrastructure: Personnel Reductions Have Not Hampered Most Commissaries," validated the reductions and reported that the personnel reductions have not hampered most commissaries' store operations or customer satisfaction. It further stated that despite the workforce reductions, store operations and customer service have been maintained at the same level, and in some cases improved. According to recent surveys, customer satisfaction with commissary stores has shown a modest, but steady, improvement between October 2001 and November 2002, the period when personnel reductions were being made. The customer satisfaction survey results in October 2001 was 4.33, in May 2002 another survey was conducted and yielded an overall score of 4.38. In November 2002 overall scores were 4.39, or a 1.4 percent increase over FY 2001.

Mr. MEEHAN. In light of the projected increased security costs and decreased dividends from the exchanges, what actions are being taken to increase appropriated fund support and reduce the stresses related to maintaining the dividend level?

Secretary ABELL. I am concerned. The preliminary Fiscal Year 2002 results indicate that exchange dividends declined and that these trends are expected to intensify in 2003. Further, in Fiscal Year 2004, the Army and Navy MWR appropriated budgets are declining. This will impact the Services' MWR programs and the capitalization available for both MWR and the exchanges.

New Department policies now permit Services to use additional appropriated funds for MWR revenue generating activities in recognition of the financial impact of increased security and force protection measures. The Services are also pursuing organizational and operational efficiencies to reduce costs and maintain programs and services. I am monitoring the exchange and MWR performance on a quarterly basis. To alleviate the operational impact of the deployment, we identified the exchange and MWR program requirements to support Operation Enduring Freedom and Operation Iraqi Freedom as a part of the Supplemental Funding Appropriation.

Mr. MEEHAN. In your prepared statement you highlighted the expanded support provided to deployed Marines and their families. That included services designed to reach both active duty and reserve families wherever they may be located. These expanded programs did not come cost-free. In light of the anticipated reduced dividends from the exchange and the strain on the availability of appropriated funds, How do you plan to sustain these expanded essential family support programs?

Mr. DOWNS. The Marine Corps Community Services (MCCS) organization is financially sound. We use the cash we earn to invest in MCCS programs and capitalization, however, we are careful to maintain healthy balance sheet liquidity ratios that enable us to weather business disruptions (e.g. Operation Iraqi Freedom). Due to on going contingency operations our February/March merchandise sales are down nearly 12%. The extent to which our Exchange dividend and MWR earnings will be impacted this year will depend on redeployment decisions. Our installation commanders understand this environment and are hard at work making the necessary trade-off decisions. The Marine Corps is an expeditionary force that is accustomed to supporting forward deployed Marines and the remaining base/station personnel and families. Deployed Marines are provided support in accordance with operational commander requirements. These requirements are generally based upon the intensity and duration of the deployment or contingency. Base/station support during deployments/contingencies requires the on-site judgment of the installation commander. The commander assesses and prioritizes the needs of the base/station on a continuous basis. The cost of programs and services to meet identified needs and availability of resources (both appropriated and nonappropriated) are analyzed. Informed decisions are subsequently made to continue full or modified operations. For

example, a decreasing need for on-base unit level programs like intramural sports enables the commander to shift resources to increased support requirements such as a family or community-oriented event. If necessary, Marine Corps MWR will utilize available appropriated funds to operate high priority programs and services and identify deficiencies to appropriate channels. In the case of authorized non-appropriated fund expenditures or requirements, cost management activities will be broadly employed and cash reserves may be utilized to sustain high priority requirements. The flexibility inherent in our integrated MCCS organization has proven to be a powerful asset.



FISCAL YEAR 2004 NATIONAL DEFENSE AUTHORIZATION ACT—VIEWS FROM THE FIELD—PERSPECTIVES OF MOBILIZED RESERVISTS

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
TOTAL FORCE SUBCOMMITTEE,
Washington, DC, Thursday, April 3, 2003.

The subcommittee met, pursuant to call, at 2:00 p.m., in room 2118, Rayburn House Office Building, Hon. John M. McHugh (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, CHAIRMAN, TOTAL FORCE SUBCOMMITTEE

Mr. MCHUGH. Call the hearing to order. First of all, let me thank you all for being here, particularly our appreciation to the members of the panel, the brave men of our women of our armed services who have agreed to join us here this afternoon and share their perspectives. And to all of you, thank you so much for your service to your Nation and for your service today to the House of Representatives. We deeply appreciate your sacrifice in joining us this afternoon.

Following Desert Storm in the early 1990s, American military strategy, shaped and supported by both legislative and executive branches of government, embraced a goal of increasing reliance on the reserve components. We have succeeded in achieving that goal beyond anyone's expectations, and in the process we have rewritten the meaning of the total force policy.

For example, reserve component support for peacetime military operations is now indispensable, having grown 12-fold to the annual equivalent of 33,000 active duty personnel. That is in peacetime operations. Reserve component personnel have gone from the old reality of providing minimal supports to the active components to the new reality of replacing them in many missions.

The global war on terrorism, an open-ended commitment of U.S. military resources worldwide to eliminate terrorist threats and to actively defend the U.S. homeland, also has created a new set of realities.

One new reality is that over and above the pre-September 11 peacetime level of support by the reserve components, the global war on terrorism required at its peak that 85,500 reserve personnel be mobilized on short notice for active duty.

This level of mobilization reflected the fact that homeland defense and the threat of the employment of weapons of mass destruction generated thousands of unforeseen requirements for intel-

ligence, special operating forces and anti-terrorism and force protection capabilities. Mobilization of national guardsmen in some states reached numbers not seen since World War II.

Just prior to the mobilization of reservists for a possible conflict with Iraq, more than 56,000 reservists remained mobilized to support the global war on terrorism, and more than 19,500 reservists faced a second year of involuntary active duty.

At the level of the individual reservist who must balance family, employment and military requirements, the global war on terrorism has brought other new realities beyond short-notice mobilizations. Perhaps the most difficult one to deal with is the inability to predict when the next short notice, open-ended mobilization may come.

Now, on top of unprecedented levels of peacetime support by the reserve component, and in addition to the continuing, open-ended reserve component mobilizations for that war on terrorism comes the more traditional, but nevertheless demanding, implementation of the total force policy: To date, more than 210,000 reservists have been mobilized for the war with Iraq.

So this afternoon, the total force policy is being implemented in ways we never anticipated by those who articulated and implemented it some 30 years ago. Now, the implementation of that policy, with its substantial, unrelenting, open-ended, three-way pull on the reserve components, presents extraordinary management and resource challenges for the Department of Defense (DOD) and the military services and imposes significant stresses on the individual members of the reserve components, their employers and their families.

In this context, the subcommittee has several objectives for today's hearing. First, we would like to better understand, based on the personal experiences of the witnesses and those people the witnesses know, the real meaning and implications of the policy the Nation has to put into effect, which requires, quote, increased reliance on the reserve components, end quote. What price are the reservists paying as a result of that military service?

Second, we want to try to determine how well the total force policy is working and whether the active, national guard and reserves are truly a seamless force or if there are rough edges or cracks and gaps in those seams, and if so, where they exist and how they might be reduced or eliminated.

Third, we would like to understand more about the impact that increased reliance on the reserve components is having on the reservists' families and, equally important, their employers.

And we also want to assess the ability of reservists to continue to serve, to pay the price, in an environment that is likely to become even more less predictable with regard to mobilizations and will certainly require many more reservists to serve far more often than the current minimum 38 training days a year.

Such insight will hopefully assist the subcommittee to more precisely consider actions that may be required as part of the National Defense Authorization Act for Fiscal Year 2004. And that is why we are here today, a very, very important hearing.

And before I have the honor of introducing our witnesses, I certainly want to take the opportunity to yield to the ranking member,

the gentleman from Arkansas, a long-time member of this subcommittee and a long-time active participant in all matters involving the welfare, the morale of our troops, the gentleman, as I said, from Arkansas, Dr. Vic Snyder.

STATEMENT OF HON. VIC SNYDER, A REPRESENTATIVE FROM ARKANSAS, RANKING MEMBER, TOTAL FORCE SUBCOMMITTEE

Dr. SNYDER. Thank you, Mr. Chairman, and thank you for scheduling this hearing today. Let me second everything that you have said so far this afternoon. I also wanted to extend my welcome to all of you, and I also want to explain these empty chairs. We are a subcommittee. We are in the full committee room. And so our committee's actually about 14 members, I think, and all these people they are on other subcommittees, but we moved here because of the TV camera this afternoon. But everybody on this committee and in the Congress is interested in what you have to say today and really forever because the guard and reserve forces are very, very important.

Let me just make a couple of points. First of all, like all of us, I think, in this town and throughout the country, we have been kind of glued to the television and seeing the news of what is going on in Iraq, and when somebody puts on that uniform and puts on that helmet after a while everybody starts looking the same.

There was a picture, a woman I think this morning, did not have her name in the newspaper, one of the papers that said, "A soldier rests sitting down." Well, everybody looks the same. But the reality is everybody, every person is an individual family with individual needs, and all these laws and regulations and pay schedules and child care affects each family individually different and not always to the good. You all have your own stories to tell us, and that is why you are here today.

I also wanted to mention, Mr. Chairman, last week we received word that one of my former interns who went on to work for Senator Lincoln who was called up in the Marine Corps Reserve was wounded, Jason Smedley, and he is doing well. We knew he was doing well because even with his broken fingers and shrapnel in his arms he was still able to send e-mail a few days later to let us know he was okay. But it brought home to all of us, I think in Arkansas, the very obvious fact that our guard and reserve forces are certainly in harm's way and are a tremendous part of what is going on overseas.

So welcome, and I look forward to hearing your testimony.

Mr. MCHUGH. I thank the gentleman. I would be happy to yield to any other member of the subcommittee if they would like to make a statement at this time.

The gentlelady from California, Ms. Tauscher.

Ms. TAUSCHER. Mr. Chairman, I want to commend you and Ranking Member Snyder for having this hearing. Are any of you Californians by any chance? In the third row we had a Californian. Well, we have, as you know, tens of thousands of California reservists and guardsmen and women that have been called up.

And I just want to, on behalf of my 657,000 constituents back home in California, thank you from the bottom of our hearts for

your service, for the sacrifice that your families make, for the deep patriotism just show every day, whether you are in your private life or in your uniform. So you are dear to us.

We all try here on this committee to do everything we can to not only provide you with the training and the readiness and the equipment but also the family support, particularly on this committee, led by the chairman to make sure that your families understand how deeply appreciative the American people are.

So thank you, Mr. Chairman, for doing this. Please know that you are in our hearts and we really appreciate you taking the time to be here to help us understand better what these issues might be that we can help more. Thank you.

Mr. MCHUGH. Thank the gentlelady.

The gentleman from Virginia, Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman. I will be brief. I could not say it better than Ms. Tauscher said it, but we have had some pretty distinguished panels appear here, but when I walked in none of them matched this. This is where the rubber meets the road. These are the people who do the real hard work, and I congratulate you all. I have a really keen interest in the reserves. I was privileged to be an active duty naval officer for 24 years, but I know how important the reserves were to the Navy when I was in.

I was in Afghanistan a year ago today, arrived there a year ago today, and I saw the Air Force and the Army Reserves working with the active duty, and I did not know the difference. They were absolutely doing the same jobs as the active duty guys, and they had a big sign that showed all the professions from which you come, and there were like 300 different professions, people in Afghanistan doing that duty, and I really appreciate what you do.

I have a renewed interest especially because I know the Navy is having some terrible problems with the reserves, and I had the head of the reserves, Vice Admiral Totushek, in my office this morning to talk about those issues, and I am sure the same is true with the other services as well. And I am proud to have a son who is an ensign in the Navy Reserves, brand new, and my Military Legislative Assistant (MLA) is a brand new ensign in the Navy Reserves, so believe me, I am going to hear about the reserves a lot, and I can assure you we will do everything we can to support you. Thanks.

Mr. MCHUGH. I thank the gentleman.

Mr. Hayes, the gentleman from North Carolina.

Mr. HAYES. Thank you, Mr. Chairman. Thank you for holding this hearing today, and to my dear friend on my left hand here let me echo your remarks which are very, very accurate. The answers and the questions come from you all. We do not solve many things inside the vacuum that is known as the Beltway, so your time and effort to come here and help us, to help all our folks in uniform is very much appreciated, and you all do look like a fine group of folks.

Mr. MCHUGH. I thank the gentleman.

As you can tell, folks, you are in front of a very sympathetic and well-intended audience here today, and I certainly want to associate myself with the comments of my colleagues. We are in awe of

your sacrifice, particularly in this time, and like my colleagues, I have had the opportunity to travel to many theaters, points of many missions and have seen and witnessed firsthand the incredible job that you good people do. And it simply is a component of our military strategy today that without you would totally limit our ability to do all the hard work that is out there in defense of freedom. So God bless you for that.

Let me introduce our panelists today before we get to their actual comments, and I will read them as they are presented. I believe they are aligned as they are seated. First, Master Sergeant Gary L. Beaver, from the Virginia Army National Guard; Sergeant First Class Steven Davis, United States Army Reserve; Petty Officer Robert Lehman, Naval Reserve; Gunnery Sergeant Nancy Jean Koehler, U.S. Marine Corps Reserve; Master Sergeant Paul Needham, Arkansas Air National Guard, Staff Sergeant Johnathan Stallings, North Carolina Air National Guard and Master Sergeant Kevin R. Smith, U.S. Air Force Reserve. Again, welcome.

For the edification of those in the room here today, we did not require, as is the usual case for the witnesses, to prepare statements. Some have. In any event, those that have I would ask unanimous consent that those statements be entered into the record in their entirety. Hearing no objection, so ordered.

So, folks, all we would like to do is to provide you with an opportunity to make any opening comments as you may deem appropriate and after that to have a discussion about the jobs that you have, the roles and the missions that you fill and how we might be able to provide hopefully the added assistance and direction that might be necessary to allow you to do if it is possible even a more effective job.

And so with our words of appreciation as a final closure, I would happily yield to Sergeant Gary Beaver for his comments. Sergeant? Master Sergeant, I should say.

STATEMENT OF MASTER SGT. GARY L. BEAVER, VIRGINIA ARMY NATIONAL GUARD

Sergeant BEAVER. Thank you, Mr. Chairman, for that introduction. Mr. Chairman and distinguished members of the committee, thank you for this opportunity to report to you my experiences——

Mr. McHUGH. Sergeant, forgive me for interrupting you but could you pull that a little closer, because it is working like a politician—not very well. Thank you.

Sergeant BEAVER. Mr. Chairman and distinguished members of the committee, thank you for this opportunity to report to you on my experiences in the Virginia Army National Guard. I am the team sergeant of Operational Detachment Alpha 2084 (ODA 2084). My unit was activated for Operation Enduring Freedom for a one-year period beginning January 3, 2002. We were deployed to Afghanistan from May until October.

While in Afghanistan, our unit conducted numerous types of combat operations. We set up fire bases, we conducted reconnaissance missions and vehicular patrols across the deserts and mountains of southern and central Afghanistan.

Our unit, Bravo Company, 3rd Battalion, 20th Special Forces Group, was responsible for the capture and detention of Taliban

and al Qaeda operatives and the capture of weapons and munitions. My team was comprised of soldiers who are police officers, an attorney, a small business owner, a firefighter Emergency Medical Technician (EMT) and college students.

My perspective is from that of a relatively small unit activation—about 80 soldiers. Also, teams from our unit are accustomed to overseas deployment so our soldiers generally know how to prepare without a log guidance. Most of the men in our unit are experienced special forces soldiers who already have overseas deployments while previously on active duty.

My men were eager to get on with fighting the war on terrorism. However, our time on active duty was characterized by a lot of wasted opportunities. From January to April, we were assigned support tasks at Fort Bragg such as funeral details and training new Green Berets.

My team was frustrated that we were not instead training and equipping for our upcoming combat tour. We could not understand why a national guard unit was activated to cover routine support tasks which the active Army should already have covered. Also, we could have activated, trained up and deployed directly to Afghanistan from our home station in Virginia, as we are used to doing and like active duty units do.

Finally, we were not fully equipped for the missions we would soon be tasked with. We were lacking in vehicles, some weapons systems, optics, global positioning systems and radios. Although we did get some of the gear we needed before we deployed, we did not have much time to train with it.

The pay my soldiers received from their civilian employer while activated ranged from full pay for some to zero pay for others. My employer, the Fairfax County Police Department, has had 11 activated police officers for Enduring Freedom and Noble Eagle. Fairfax County supports its activated reservists by supplementing their pay when they make less in the military. I will continue to serve in our unit even if we get called up again. I feel really a call to do these missions out of a sense of patriotism.

Also, there is a stop loss on special forces soldiers right now. Some quality soldiers were so unhappy with the way we were mobilized and deployed that they have chosen to leave our unit or retire. A very experienced noncommissioned officer (NCO) told me plainly that if we were paid fairly and on time, he would stay in the unit. Otherwise he was leaving. Two of the seven special forces groups are national guard. National guard special forces teams conducted many of the combat missions which have resulted in a relatively stable Afghanistan.

Regarding normal drill weekends, some members of our unit drive for hours or even fly in without compensation for travel expenses. Our hazardous duty pays are prorated when we drill and come late when we are activated. I question why our soldiers get \$20 jump pay per month when active duty soldiers get \$150 a month. The risks are the same, the qualifications are the same, we fall from the same airplanes, in the same parachutes.

When I was deployed, I left behind my wife and two children. We are fortunate to live near a major installation which has a commissary and a TRICARE office. She was able to use these benefits,

but others who live far from major installations did not have nor understood the assistance this provides.

My family also had a strong community to help them cope with the day-to-day activities. At the time, there was little support provided by the guard for families. Our soldiers tend to live in a wide radius; therefore, it was difficult for the families to support each other. This was a first-time experience for many of the families. I know some soldiers whose families had medical and financial issues which added stress to their deployment.

Nothing can replace the year I spent away from my family, but they are proud of me and will support me on further deployments. I and the men of ODA 2084 stand ready for our next mission. I will be glad to answer any of your questions, sir.

[The prepared statement of Sergeant Beaver can be found in the Appendix on page 1103.]

Mr. McHUGH. Thank you very much, Master Sergeant; we are proud of you too.

Sergeant First Class Steven Davis. Sergeant, thank you for being here.

STATEMENT OF SGT. FIRST CLASS STEVEN DAVIS, U.S. ARMY RESERVE

Sergeant DAVIS. Mr. Chairman, members of the distinguished subcommittee, thank you for the opportunity for me to be here today and participate on this panel. My name is Sergeant First Class Davis. I am a military policeman with the Army Reserves. I have been serving in the United States Army for 15 years. Eight of those years were active, and the past seven have been in the reserves.

I currently serve for the 4249th Military Port Security Company, military police, in Pocahontas, Iowa. I have been mobilized once in the seven years that I have served in that company, and that came on September 23 of 2001 for Operation Mobil Eagle.

In my experience with both the regular Army and the Army Reserves, I believe that the two are very much integrated. I had positive contacts when I was an active duty soldier with the reservists, and I have had positive contacts as a reservist with the active duty soldiers.

Most recently, during our deployment to Sunny Point, North Carolina, we were directly assigned to the 597 Transportation Group, falls under MTMC, the Military Transportation Mobilization Command. From the moment we arrived there we felt as though we belonged there. I remember during a welcome meeting, Colonel Hyder, the commander of the 597th, made it very clear to everyone in our room that we were all going to be treated equal and as any other soldier that is on that installation. The command emphasis there set the tone for our stay.

We were able to work together cohesively and we had a very high morale. Our military police integrated very well with the Department of Defense existing force flawlessly.

As for the question, did the recent deployment change or affect the reservists' intention to continue to serve, I believe the deployment made our unit stronger and even more willing. From month to month, we ask ourselves are we really needed? Why are we

doing this? When September 11 happened our questions were answered. Yes, we were needed, and, yes, we were important.

On September 12, we had 24 soldiers, myself included, volunteer to go on a security mission to an unknown place. The very next day, on September 13, we left for Beaumont, Texas. Ten days later, my unit was mobilized and they joined us in North Carolina where we continued to serve our year tour of duty. When that year was up and we were told that we were going home, we were told the New York unit was going to replace us but they did not have enough people to complete the mission themselves.

Immediately, 22 of our soldiers rose their hand and volunteered to stay with the New York unit. Not for three months, not for six months, they volunteered to stay a second year, a full year. Some of the soldiers were married, some of them were college students. Why did they stay when they did not have to? If I had to guess, I would say it is because they knew they had a job to do, and they were not going to leave until it was done.

The one problem that we did encounter during our deployment was medical benefits. The Army did a great job of providing the coverage and informing the soldiers of how the medical coverage is supposed to work. However, our family members who are back home in a four-state area did not have the opportunity to receive that guidance on how the medical coverage is supposed to work.

This created many headaches for the soldiers as they talked to their families back home. They tried to deal with the problems long distance over the phone, and it created problems for them. I believe a local representative in our area, our four-state area, would help our family members be able to have someone to go to to be able to have their questions answered.

Let me conclude by saying I do not believe that anyone likes the idea that the world has changed, and we do not look forward to being deployed nor do we want to be deployed. But the question is if we were asked to do so, would we? Yes, we would.

We all know that as an Army Reserve soldier that our families and civilian employers pay the price as well as we do. My wife is very loving and understanding. She supports me and what I believe in. I would like to thank her now for that.

I know that she feels the same patriotism and loyalty to our great country as I do. When I would call home late at night and apologize for the Army taking me away so long, she could only say to me, "I wish the whole world knew what kind of soldiers were protecting us." That would motivate me to drive on and continue my mission.

I am a police officer in my civilian job. I work in a small town in Webster City, 8,000 people, north of the capitol of Des Moines. We only have 15 officers to start with, so when they take me away it does make it difficult for my bosses. However, the department throughout all that has been supportive through my entire mobilization. Let me give you an example.

I got home after a one-year mobilization in September of 2001. I just asked to go to Alternative Network Operations Control (ANOC), a leadership school required for my promotion. They allowed me that time off. While I was in ANOC, I called them and asked them for four days off so I could attend this very briefing.

Their response to me was, "We will take care of it somehow. Many people are facing this problem so we will too. We will get through it."

Again, I thank you for allowing me to be a part of this panel, and I can answer any questions at this time.

[The prepared statement of Sergeant Davis can be found in the Appendix on page 1097.]

Mr. McHUGH. Thank you, Sergeant. And I know all the panelist members feel as I do that not only do we owe a great debt of gratitude to you as the members in uniform but to the families too. They pay a great sacrifice, and they should know we recognize that and deeply appreciate their contribution and all that they do to allow you to serve. So thank you to the families.

Next would be Petty Officer Robert Lehman, Naval Reserve. Petty Officer.

STATEMENT OF PETTY OFFICER ROBERT LEHMAN, NAVAL RESERVE

Officer LEHMAN. Thank you. I first want to thank the subcommittee and especially the chairman for giving me the opportunity to discuss my mobilization experience in the days following 9-11 in support of Operation Mobil Eagle.

I want to first express how I as well as my family was supported in this process. Along with having existing loan percentage rates reduced, assets were properly protected, compensation was routed without any unusual delay and health care was provided for my family.

Some might say that certain aspects of the mobilization process seems slow, but you have to realize that one in a position like mine who watched their country attacked feels a sense of helplessness and is eager to right a wrong. It is with this sense or urgency to help that the anxiety to do so was so imminent that waiting 20, 30 or even 60 minutes to enroll in a TRICARE program, for example, seemed like days.

After being mobilized, I reported to Naval Station Mayport to augment their security force. Upon reporting, the other mobilized reservists and I were quickly advised of our mission, objectives, goals and more importantly what we needed to do to accomplish these goals.

Approximately 70 percent of us mobilized reservists at Naval Station Mayport that were utilized in augmenting in its security force were professional police officers like myself in their civilian occupations. We were asked to document and provide for our command a list of special skills we possessed regarding our civilian employment. This would be important in utilizing the right man for the right task.

The time was taken to look at us as individuals in such a short and swift amount of time. This impressive undertaking made for an important transition that would eventually bring the existing security force which had only included a handful of active duty personnel into a solid security force which the Navy could be proud of.

In order to better protect the harbor and ships, they recognized that a water-borne security unit need existed. I would eventually be assigned to this unit. In its early stages, we patrolled the harbor

in a single-engine boat while being armed with a nine-millimeter pistol. Winter proved cold, as we possessed inadequate clothing for the season.

As a battle group prepared for deployment I recall one night being at the mouth of the harbor basin knowing that I was the harbor's first line of defense. I recall saying to myself, "is this as far as we have come since Pearl Harbor?" As scary as this may sound, it was not long since the right safety measures, manpower and equipment were put in place. You see even though I may have not known at the time, until the resources were made available it had been assessed that I possessed the knowledge and skills to have properly reacted in the instance a problem had occurred.

Having the lack of resources was fortunately overshadowed by the ability of the command to use the existing resources responsibly. I eventually became a section leader of six active duty sailors, four of which were fresh from boot camp and master at arms school. Another was an active duty master at arms second class who recently cross-rated over from being a hull technician. Another active duty was that of a quartermaster second class.

As a reservist I had the concern that animosity may exist between—that I would be a leader of active duty personnel. Fortunately, it was nothing more than that—a concern. Knowing that a limited amount of experience in force protection existed within my unit, I knew it was important to create a solid working relationship in a very short period of time since the threat of terrorism existed and may have been almost imminent following the days of 9-11.

Preparing for a threat almost seemed overwhelming at times; however, we routinely shared with our life's experiences with each other which helped us in enhancing our job performances. We constantly communicated with one another and trained together in our down time. We were concerned with more than simply getting the job done, but how the job got done was also important.

Our hard work proved to pay off. Although the safety of the harbor and the ships were never compromised, unauthorized boats entering the harbor were routinely intercepted in a safe and swift manner. Our record for safety overshadowed others and was outstanding. Our performance was constantly recognized.

Since I have concluded my duty, I discovered that my quartermaster QM2 had enrolled in his off-time in a civilian police academy. My master MA2 had become the section leader himself, and the four seamen, one of which had been promoted to third class petty officer, all are doing remarkably well.

I have been called and written being told that my influence and leadership attributed to much of their successes. Whatever the case may be, I attribute their success to three things: honor, courage and commitment, the Navy's core values. Without them, my job in this situation would have been a much greater task.

I cannot begin to describe what these three words mean in a sailor's life. We promote them through our actions, they help us solve problems, protect lives and ultimately provide for a safer nation.

As I conclude, I want to thank the committee again for this opportunity in expressing myself. In regards to my experience within this most auspicious setting. God bless and God speed.

Mr. MCHUGH. Thank you very much, Petty Officer.

Gunnery Sergeant Nancy Jean Koehler, U.S. Marine Corps Reserve. Gunny, welcome.

**STATEMENT OF GUNNERY SGT. NANCY JEAN KOEHLER, U.S.
MARINE CORPS RESERVE**

Sergeant KOEHLER. Thank you, sir. Mr. Chairman, Dr. Snyder, members of the committee, it is truly an honor to be here today. I am Gunnery Sergeant Nancy Koehler. I have been a Marine reservist for 14 years. I am married to Richard Davis, and we have a four-year-old daughter, Abigail. I joined the military voluntarily and have re-enlisted twice voluntarily. Every time I have raised my hand and taken the oath I have recommitted myself and my family to military service.

I have been on a mobilization order since September 21 of 2001, over 18 months now. After the first year, I volunteered to extend for an additional 12 months, and I believe everyone, or all the reservists in my office, with the exception of three, did the same.

I was mobilized to work with my individual mobilization RMT detachment, the career management team, at Headquarters Marine Corps, Quantico, Virginia. I was essentially a dualing reservist. I was doing the record books of military and civilian skills of Marines that were volunteering for mobilization after September 11.

After about 45 days, the process and my role in it changed, and I was reassigned to work with MPP-60, which is the mobilization section of Manpower Plans and Policy Division at Headquarters Marine Corps, also at Quantico, Virginia.

I still work in the same building in just a different step in the overall process. And today I still work for MPP-60, and I am a staff non-commissioned officer in charge of manpower requirements and global sourcing, and that includes joint task force requirements.

This is the second time I have been mobilized. The first time I was with Bravo Company, 4th Light Armored Reconnaissance Battalion out of Frederick, Maryland. As a selected Marine Corps Reserve Marine, my unit was mobilized then, and I was deployed to Saudi Arabia and Kuwait during Operation Desert Storm.

I served as a personal effects custodian at the battalion level, which means that I did the inventory of personal items for Marines that were killed, wounded or injured and sent those items back to the United States with the Marines or the Marine's next of kin.

This particular mobilization has been an increasingly more difficult assignment and adjustment to my family. I am fortunate to be able to see them most weekends, they live in Midlothian, Virginia. My husband is a police officer and works midnights on a rotating shift. Our days off do not always coincide. Although this is supposed to be temporary, the longer I am on orders the more permanent it seems to my daughter. She is still too young to fully understand the impact of all this.

It has taken many readjustments to keep workable solutions to changing child care needs, keep up with financial responsibilities and plan for the future, both near and far. Most plans in our lives have simply been put on hold.

Prior to mobilization I was affiliated with Long & Foster Realtors. I primarily worked in the new homes community as a site agent, but I also worked with buyers and sellers in the resale market. This part of my career will be very difficult and expensive to restart. My license has since expired. I will have to be retrained, reschooled, recertified and have my continuing education recertified.

Real estate is a people-oriented business and it is built and established on relationships that require routine contact. I have not been in a position to foster the kind of relationships that facilitate a growing, thriving real estate career.

I am also the chief executive officer (CEO) of my own business, and it is a commercial real estate development company. This job is one that I will be able to go back to. I have used my free time, which is not very much, and weekends and many evenings to try and keep this business going. Although the company is behind in some development projects, I feel it is stable enough to get back on schedule within five months of me coming off orders.

There would be a lot of readjustments to the business. My business relies in part on bank loans and investment capital. To ensure funding for one project I may have to step down as CEO while on orders.

I am supposed to come off mobilization orders after 24 months on September 20. I will be due to reenlist in the Marine Corps by July of 2004. At this point, I plan to do so without reservation. And I look forward to your questions.

Mr. McHUGH. Thank you very much, Gunny.

Master Sergeant Paul Needham.

STATEMENT OF MASTER SGT. PAUL NEEDHAM, ARKANSAS AIR NATIONAL GUARD

Sergeant NEEDHAM. Thank you, Mr. Chairman and distinguished members of the committee. I am grateful for the opportunity to appear here today before you and address some of the personal issues that I have faced while being mobilized.

As you have said, I am Master Sergeant Needham from the 123rd Intelligence Squadron, Arkansas Air National Guard. The impact on myself being mobilized has been varied. My job has not been affected since I work full-time for the Air National Guard and I do the job that I do full-time now.

But the impact on my family has been quite traumatic as they have no military background. My wife left her career as an operations director for a marketing firm to keep our family together. My first child was born 17 days after I was mobilized. However, I was allowed to remain at home station until he was seven weeks old and then sent to Langley Air Force Base where I have served ever since.

This is my second activation in three years. I was activated in May of 1999 to support Operation Allied Force, and I have now been activated to support Operations Enduring Freedom, Southern Watch and now Iraqi Freedom. My mobilization experiences have shown that there is an increased continual reliance on the guard and reserve to help the active force fulfill their full-time mission.

My career field—analysis, is a very small career field and critical in manpower. It is a unique career field where even at Langley Air Force Base we support combat forces in the field, in the theater on a daily basis. We can do this from home station with the correct equipment and connectivity, and we look forward to that opportunity.

As a guard member, we initially faced some animosity between our full-time active force members when we deployed to the 30th Intelligence Squadron at Langley Air Force Base. However, as our second year neared, and the squadron understood that we were going to remain for a second year, they openly integrated us into their operations.

We now comprise 40 percent of the non-commissioned officer corps of the 30th Intelligence Squadron. Guard members now lead three imagery exploitation teams that the squadron has, and we comprise 50 of the imagery mission supervisors, which are responsible for the collection and exploitation of the imagery that the 30th Intelligence Squadron is tasked to support. We lead, supervise, counsel and set policy for the 30th Intelligence Squadron and its members, and they will feel a great loss when we come off active duty this fall.

The impact on our families as a group has been varied from member to member. Some members like myself were able to move their families to Virginia and keep the families together, thus helping the members and the families get through this ordeal together. However, some members were not able to, because of their spouses' careers, children in school and other obligations at home.

These members have faced hard times. They face the stress of being separated from their families and the stress related to the job that we perform. Several families have broken apart because of this activation, and we feel their pain and try to support them the best we can to get them through this.

In addition to this family issue of separation and deployment, we have faced the issue of being on temporary duty status, and we attempt to take leave. We do not receive our per diem or our lodging which pays for our place to stay there at Langley, Virginia. Currently, under law, we are not allowed to receive this, and it is put a great strain on several members.

These members not only face the separation of two years but also face the real possibility that they may have incurred a debt of anywhere between \$6,000 and \$9,000 depending on how much leave they have taken while on active duty.

Currently, we have been working with our congressional delegation to try to alleviate some of this strain, just to receive the lodging, the expenses, so that we can take leave, see our families and yet still maintain a place to live at Langley Air Force Base.

Our continued service, the 123rd Intelligence Squadron's members have varied opinions, but most are determined to remain and stay the course. However, some have decided to leave because of their families, their careers and the uncertainty of future mobilizations.

As for employer support, from my squadron we have heard nothing but good things. The employers are very supportive and try to help the best they can. Some have paid the difference in salaries

between the military salary and their civilian salary while others have just allowed the members to serve unconditionally.

However, there have been several employers that have asked their employees to reconsider their service with the guard and the reserves when they do come home. They have not asked them to separate, but they have asked them to reconsider.

I thank the committee for allowing me to speak today, and I will address any questions that you have.

Mr. MCHUGH. Thank you, Master Sergeant.

Staff Sergeant Johnathan Stallings, North Carolina Air National Guard. Sergeant, thank you being here.

STATEMENT OF STAFF SGT. JOHNATHAN STALLINGS, NORTH CAROLINA AIR NATIONAL GUARD

Sergeant STALLINGS. Good afternoon, Mr. Chairman, distinguished members of the committee. I am grateful for the opportunity to appear before you today.

Again, my name is Staff Sergeant Johnathan Stallings. I am assigned to the 145th Airlift Wing, 145th Services Squadron of North Carolina Air National Guard. The service squadron's primary responsibility is for food service operations, lodging and setup for troops, fitness and recreation, search and recovery teams, mortuary affairs and honor guard programs.

In normal operations at my home base, I specifically work with the base Honor Guard Program. Along with my wife, Staff Sergeant Julia Stallings, who is also a member of the Air National Guard, we are non-commissioned officers in charge of the base honor guard.

I have been a member of the North Carolina Air National Guard since May of 2000. Prior to joining the Air National Guard, I served a little over seven years active duty Air Force from 1990 to 1997. During my active duty tour, I voluntarily deployed to Operation Provide Comfort following the Gulf War. This was my only deployment while on active duty.

Since joining the Air National Guard I have deployed once. This deployment was overseas in support of Operation Enduring Freedom. My deployment to Operation Enduring Freedom was involuntary activation of a large portion of my unit.

During my recent deployment with the Air National Guard, just as when I was on active duty, my unit felt it was being deployed to do a specific job, a specific mission, and that is in fact what we did. Our mission is to provide services to our military members.

The main difference in being deployed as an active duty or as a member of the guard or reserve or as a guard member, you have to work a little harder so that active duty components realize you are competent.

I believe the active duty services commander had a good plan for integrating the active duty, guard and reserve together, but there was still a feeling of the typical active duty attitude toward guard and reserve, and that attitude is that guard and reservists are weekenders and do not know what they are doing. I know this because as a prior active duty member, unfortunately I was uneducated about the guard and reserve and felt the same way.

Due to the plan set in place, again by our services commander, of integrating the units together with little time and hard work the active duty members realized that the Air National Guard was not only competent but also a very valuable asset to the team.

There still seemed to a few isolated incidents where this continued to be a problem but nothing that hindered the mission dramatically, though it did affect some of the guard members' morale. For the most part, everyone felt like a part of the team, but, again, there were isolated incidents where this was not the case.

For myself and others, the hardest part of being in deployment is being away from the family. The difficulties for me were knowing the added stresses for my wife. Not only was she a full-time student and working, but she was also a full-time mom and now a dad too.

Unfortunately, on a lower level than this some squadron units did not keep in contact with deployed members or their families very well. There was a low morale for many military members because they felt a lack of concern or support from their units and squadrons, not only for themselves but their families.

I am fortunate to have a strong wife who is also prior active duty. She made things work on her own by looking at the same situation if she was not in the military, I would have to say this previous deployment would have been very traumatic on her and may have caused her to have negative feelings towards the military.

As guard and reservists, we do not always have the luxury of military support groups due to the fact that we are so spread out, unlike active duty who are centrally located near a base. For example, in my case, I live two and a half to three hours away from guard base in Charlotte, North Carolina. This makes it hard to reap the benefits from the family support groups. Besides the support issues and being separated from my family, the only major difficulty was transitioning back into normal everyday life upon returning home from a deployed location.

I continue to have full support as a military member from my family as well as my civilian employer. I am a law enforcement officer employed by the Cumberland County Sheriff's Office in Fayetteville, North Carolina.

The sheriff's office is dramatically affected, and was dramatically affected, at the time I was deployed due to the number of people deployed from the department, because the need for law enforcement in the community continues with fewer officers to fulfill that need.

Unlike many others, I cannot have asked for more support than what my civilian employer gave me and my family while I was deployed, and they continue to give me support throughout my military career. It is unfortunate that many of our members are not in the same situation as I. Looking back on everything, from the deployment, being separated from my family and away from my civilian job, I would still continue to proudly serve as a member of the Air National Guard.

Being deployed is never easy for anyone involved and will always be difficult, but it is made easier with the help and support of the family and the unit. To me, the unit is the key to keeping the morale up for the members and the family as well. I am a National

Guardisman, I always will be and will always be proud to serve if called upon again.

I would like to thank you all again for allowing me to appear before you today and speak on behalf of our guardsmen, the men and women of the Air National Guard. I welcome any questions you may have.

Mr. MCHUGH. Thank you very much, Staff Sergeant.

Last, not leastly, Master Sergeant Kevin R. Smith, United States Air Force Reserve. Master Sergeant, thank you.

STATEMENT OF MASTER SGT. KEVIN R. SMITH, U.S. AIR FORCE RESERVE

Sergeant SMITH. Good afternoon, Mr. Chairman, distinguished members of the committee.

Mr. MCHUGH. Could you pull that—pardon me, Master Sergeant, could you pull that just a little bit closer?

Sergeant SMITH. I am Master Sergeant Kevin Smith. I am a logistics plan technician assigned to the 434th Logistics Readiness Squadron at Grissom Air Reserve Base, Indiana. I am a traditional reservist and have completed 17 years of service. On September 19, 2001, I was mobilized for Operation Noble Eagle, Enduring Freedom and remained on active duty—

Mr. MCHUGH. Master Sergeant, again, I apologize. Some of the members are still—yank her as hard you can right in there.

Sergeant SMITH. Is that better, sir?

Mr. MCHUGH. That is great. Thank you very much. These are very touchy microphones, so it is not your fault. Appreciate it.

Sergeant SMITH. On September 19, 2001, I was mobilized for Operation Mobile, Enduring Freedom and remained on active duty for one year. During this time, I deployed in support of Global KC-135R air refueling operations to Hickam Air Force Base, Hawaii, Misawa Air Base, Japan and a classified location in the Persian Gulf. I spent a total of 135 days deployed overseas.

Between those overseas deployments I performed logistics plan duties at Grissom coordinating all aspects of the wing's deployed assets for Enduring Freedom and the previous committed air expeditionary force requirements.

My mobilization definitely had an impact on my family. The most significant was my absence in two roles, which are important to me: a husband to my wife, Julie, and a father to my nine-year-old son, Kyle, and our new daughter, Sarah.

Deployment was short notice to report to active duty so Julie and Kyle had less than 24 hours to go to make sure things were in order at home and say good-byes. Julie was now solely responsible for all the immediate decisions in the household.

Despite the current situation in the Middle East and the possibility of continuing mobilization and deployment, my family supports me in serving my country.

There is another issue which is unique to reservists and that is linked back to our employers. The most serious issue to my employer, Delphi Delco Electronic in Kokomo is the short notice I gave before being mobilized.

Again, I was given less than 24 hours to report for duty. This meant I was unable to assist in finding someone to take over my

responsibilities on the job. I am one of the fortunate few who had employers provide wages to cover the pay gap when I am mobilized.

Currently, we receive our wages minus military pay we receive while mobilized. But benefits such as health care and life insurance continue to be provided as if I had never been mobilized. I do believe that although these deployments are difficult for Delphi Delco Electronics, they will continue to support the armed services.

I have always felt very much a part of my unit, and even while we were deployed this did not change. Within our unit, traditional reservists and full-time reservists share in the same responsibilities. I believe that also held true between our unit and the active duty forces that we were assigned to work with.

My recent experience on active duty has not changed my intention to continue to serve in the United States Air Force Reserve. When I joined the reserve I knew that there was always a possibility of being mobilized and having to spend time away from home. I also knew that it was and still is important to me to serve my country. This is my decision, but it requires the continued support of my family and employer.

For those reservists and guardsmen who do have not the support system, I believe a couple of things will emerge. One, we will slowly uncover these problems, identify them and hopefully work to fix those problems. Second, our increased tempo to augment the active duty forces could present an obstacle for future service as some can no longer hang on without a family financial support system.

I appreciate the opportunity to come here and speak about this today, and I would like to thank the members for your continued interest in our well being and your continued support for reservists, our families and our employers.

Mr. McHUGH. Thank you very much, Master Sergeant, and, again, thank you all.

Just to kind of set up the discussion period, I hope it is clear to everyone that this hearing is in no way intended to question the effectiveness, the efficacy of the guard and the reserve; quite the opposite.

Back in January of this year, I had the honor of heading up a congressional delegation that traveled throughout Europe that some other members, Mr. Hayes and others, of this subcommittee and the full committee joined in and traveled to a number of places, Istres, France, where we fly Air National Guard out of a French air base to Ramstein, where both the Army and the Air Force are located; Naples, of course, the Navy and Marine Corps; Vincenzo, with an Army deployment presence in Okinawa, for the express purpose of meeting with guard and reservists.

And the first thing that struck me in those travels was every one of the combatant commanders that we met and the field commanders that we met said, simply, no question, without the guard and reserve they could not do the mission they were being asked to do, which is the underpinning philosophy, if you will, of this total force seamless concept.

But the interesting thing beyond that is in each one of those stops we gathered focus groups, discussion groups of guard and reservists, and perhaps most importantly we asked the officers to

leave the room to try to foster an environment of the most open conversation possible. And I think it is fair to say in the more than 200 members collectively that we met through those meetings, we heard some very troubling things. Most of those folks were volunteers. They were there because they chose to be, they wanted to be, and they understood the importance of their mission. And most were—not most, all were very proud, and rightfully they should have been, of the contribution and sacrifices they were making.

But in the course of those conversations, we heard some concerns from those members that suggested that if we do not do some things here in Washington to smooth out the growing number and the height of the bumps that people like you are encountering, we have the real opportunity to break the force. And it is not a question of people like yourselves and others wishing to serve.

It is not a question of being unwilling to participate in deployments, but it is a question of the ability to encounter all of the individual challenges that exist, some of which were mentioned in your testimony: the pay differentials, the utilization of your skills, the non-utilization of your skills upon deployment in jobs that you were not trained for, so you are not really participating in the full seamless force; short call-ups, Master Sergeant Smith, 18 hours notice. I cannot pack a toothbrush in 18 hours.

To expect people to get their lives together and leave for six months, a year, however long in less than a day is the kind of thing that can make one wonder as much as you are honored to serve and want to play a part how much can that traditional guard and reservist's role of being a citizen military participant endure? The family pressures.

We heard from one small business owner, reservist himself, who admitted that because of the repeated deployments amongst certain categories of jobs that he is inclined when he gets a resume to set aside those who show guard and reserve obligations.

We heard from a, I thought, strikingly high number of guard and reservists who said they no longer put their guard and reserve service on their resumes for the concern that an employer might want to go somewhere else for fear of that person being called up repeatedly. That is the first thing anybody should want to put on their resume. It says so much that is good and honorable about you, but that is the concern we have.

So we are here today to try to establish a record if it is appropriate so that we can begin to work to fix some of these specific problems and to take the larger issues of why are we relying so much? I happen to believe the M-strike numbers in both the guard and reserve are dangerously low. That, in part, requires both active and reserve component people to be utilized time and time again.

So I have read your testimony, those of you who submitted it, we all gratefully received your comments. But let me just ask you anecdotally, as you talk to your fellow guardsmen and women and reservists, do you hear people begin to question, "You know, I just cannot sustain this anymore. My employer cannot allow me to leave again. My family cannot really hang together. The pain of the current level of service is too much." Or was I hearing from people in Europe who perhaps came together at an unusual grouping and

we got all the concerned people and did not hear from those who thought everything was fine?

And I know, Master Sergeant Beaver, you mentioned in both your written statement and your spoken comments that you did have members of your unit who either said or in fact did choose to re-up because of those problems. I certainly would welcome any further comments you have on that.

But to the rest of the panelists, do you hear that kind of talk, because if you do, we need to act very, very positively to try to fix it so that the tradition of the guard and reserve can continue. Because I happen to think, and I am confident everyone here today believes, it is absolutely vital to what the military has been in this country.

Master Sergeant, anything you would like to add to that?

Sergeant BEAVER. Yes, sir. Yes, Mr. Chairman. Again, my wife Linda is here and I would just like to thank her for supporting me throughout the years. I could not do it routinely much less being gone full-time without her watching the kids and taking care of the house while I am gone. She knows I love to do this, it is in the blood, and I really enjoy it.

However, there are guys in my unit and on my team who have said that it is very much a stress on their jobs to be gone for long periods of time. A year away from a law firm or a federal government job, especially if you are new, your golden years is the time you make a name for yourself, and now you are an empty chair and/or someone else is sitting in it.

I am in a pretty good position because being a patrol police officer you can pretty much replace a patrol police officer by paying overtime, not to degrade what the county has to pay because they have to pay money to someone else to be in my job. But other people are not as fortunate as me, particularly people who own their own business, they share 50 percent with another person, a business that absolutely needs them there to operate. They have unique problems.

Mr. McHUGH. Thank you very much.

Sergeant Davis, anything to add to—

Sergeant DAVIS. Sir, in my unit, it is the exact opposite of what you are saying. We have plenty of people that want—they all want to stay. I believe we are always going to have the one or two that is going to want to get out because it is financially difficult or it is creating problems for them or too many problems for them, but in my unit, all of our soldiers want to stay.

They volunteered to go places, they want to go places, they are committed to our unit. I cannot say enough good things about the soldiers that we have in our unit. I am not hearing the same thing that you did, sir.

Mr. McHUGH. Well, that is what we need to hear. By the way, none of that, even if you were hearing it, would suggest these are not people willing to serve. But we want to make sure we are maintaining the correct balance. I mean there are certain expectations. Historically, as you know, you have a 38-day minimum call-up a year. I think people are willing to do that.

Let me just read, and this was carried in a story by the Associated Press news wires. "In one extreme example some Kansas Na-

tional Guard members returned from six months guarding the patriot missiles in Saudi Arabia in October 2001. They were then deployed to domestic airport security before they could even attend traditional welcome home ceremonies. Guardswoman spokesman Joy Moser said, "The same troops were then assigned to guard bases in Germany three months later."

I do not think anybody would question the commitment of the folks in that particular unit, but I am just wondering if that becomes a more widespread reality, that repeated call-up, how many employers can sustain that, how many families can put up with that? That is not what we designed the guard and reserves to be, and it is not in any way intended to question someone's commitment, but rather have we gotten too far out of balance, at least in some cases?

But I am certainly glad, Sergeant Davis, that that has not occurred, and we are not wishing this on anyone, certainly.

Petty Officer Lehman—

Officer LEHMAN. Yes, sir.

Mr. MCHUGH [continuing]. Any observation, sir?

Officer LEHMAN. In my experience, my observations with the mobilized reservists I have worked with personally, I have not heard any complaints or reservations from them to have extended problems with their employers. We were in a unique situation in my call-up, because everyone I basically worked with were police officers.

Being that said, their departments had basically things in place that would take the situations off of their own department so they would be able to be more supportive of their officers that were called up and basically have them there longer. But other than that, we have not—or I have not personally observed any complaints like I am hearing today, sir.

Mr. MCHUGH. Thank you.

Sergeant Davis, just for my own information, what is your background on activations for your unit? I believe you said it in your testimony. You have been called up one time?

Sergeant DAVIS. Sir, in the unit that I am currently in I was called up once.

Mr. MCHUGH. Over what period? I am sorry, I do not recall that.

Sergeant DAVIS. Seven years, sir.

Mr. MCHUGH. Seven years, one time.

Petty Officer Lehman, if you could respond to the same question, how many times has your unit been called up?

Officer LEHMAN. Well, we do not get called up as a unit, sir, we are as individuals.

Mr. MCHUGH. So you have not had a unit mobilization.

Officer LEHMAN. Right. Personally, this was my first experience.

Mr. MCHUGH. Okay.

Gunny.

Sergeant KOEHLER. Yes, sir.

Mr. MCHUGH. Any thoughts or comments or observations on this particular topic?

Sergeant KOEHLER. Yes, sir. MPP-60 are our reservists. There is a staff of active reservists, which were full-time reservists, and the rest of us are all mobilized individuals.

We encourage the members of MPP-60 to keep in constant contact with their employer to foster that relationship and make sure that the employers are informed of when they are coming off orders, when they have been extended, that they have contact phone numbers for us at the unit, that we have literature available to answer questions that they have about reserve call-ups. And as far as I know, the Marines at MPP-60, none of them have too many concerns about whether or not their employer will accept them back.

Personally, before I got into real estate, I did have a job that did not like me being a reservist. They had problems with giving me days off for anything other than to attend drill or the two weeks in the summer.

Basically, what I did with that and my response to it was I did file a complaint with the Department of Labor and then I found another job. And, personally, I would never consider not putting my military background and history and experience on a resume, because, quite frankly, I would not want to work for an employer that did not appreciate my service.

Mr. MCHUGH. Thank you.

Any of the Air Force sergeants? Master Sergeant, Staff Sergeant? Comments?

Sergeant SMITH. Yes, sir, Mr. Chairman. Looking at folks from my unit that have discussed separating because of the current mobilizations, we have estimated that anywhere from five to 15 percent of our imagery analysts will separate after the current mobilization. And a large part is due to the fact that in three years time we have now been activated twice, and prior to that it had been 31 years.

And all we see in the future is continual reliance on our career field, and that is why we have sought the idea of moving the capability to the home station where members would be more likely to stay and serve at home station versus deploying 1,000, 1,500 miles from home to do the exact same job somewhere else.

Mr. MCHUGH. Thank you.

Staff Sergeant.

Sergeant STALLINGS. Yes, sir. Mr. Chairman, my unit is in a situation where we have a good variety of people, whether it be business owners, college students, members like myself who are law enforcement. For the most part, everyone there—they are volunteers and they are there because they want to be and they are going to stay. We have members that are close to retirement. They could leave whenever they want to or they could stay.

I believe their hearts are telling them to stay but over the past deployments they are losing money whether they have their own businesses or getting indirect stress from their civilian employers where they feel they need to concentrate more on that career versus their military.

They are able to retire so I have heard those talks. I believe if they were in a little different situation as far as the guard goes and were not losing the money that they are from their civilian employers, that it would probably be a lot different for them.

Mr. MCHUGH. Thank you, sir.

Master Sergeant.

Sergeant NEEDHAM. Yes, sir. During the deployment in 2001–2002, we did have quite an unusual number of people saying they are going to retire or get out after this, because we have been—the unit has been activated Kosovo in 2000, Enduring Freedom, and, yes, we were just activated again for Iraqi Freedom.

The whole unit does not get activated at the same time, we send out like 200 or 300 people personnel packages at one time, but it is becoming a hardship for some people to continue to be activated continuously. Every two to three years they are expecting to be activated, so they are planning on getting out.

Mr. McHUGH. So you have had—let me make sure I understood you correctly—three deployments since 1991?

Sergeant NEEDHAM. Three activations since Kosovo. Kosovo, Enduring Freedom and—

Mr. McHUGH. And now with Operation Iraqi Freedom (OIF). Thank you all very much. And I thank my colleagues for their patience.

Let me yield to the ranking member, Dr. Snyder.

Dr. SNYDER. Thank you, Mr. Chairman. See, I wanted to spend my time if I might and try to flesh out some of the specific things that two or three of you mentioned.

Master Sergeant Needham, I will give you a home boy advantage here since you are from my congressional district. But I want you to walk through so that we will all understand the first issue I want to talk about is this per diem business. When you were working at Little Rock Air Force Base, I assume you had a home in Jacksonville or Little Rock or—

Sergeant NEEDHAM. Yes, sir; I live in Cabot.

Dr. SNYDER. You live in Cabot. And then you got mobilized to go to Langley. So pretend that I am in the actives and I am leasing an apartment for one year in Langley, Virginia, right?

Sergeant NEEDHAM. Yes, sir.

Dr. SNYDER. And you are assigned on temporary duty, correct?

Sergeant NEEDHAM. Yes, sir.

Dr. SNYDER. And you rent the place next to me for the same—lease the place next to me for the same amount of money. Is that about the scenario so far?

Sergeant NEEDHAM. Yes, sir.

Dr. SNYDER. Walk through now where the problem occurs when you and I decide to go on a 10-day scuba driving trip or a three-week leave or 30-day leave. Explain the problem, the financial problem.

Sergeant NEEDHAM. Well, sir, the member on active duty receives their leave as normal, still receives their base pay and allowances, just like they are—because they are stationed there at that base. The guard members from our unit in that same situation are deployed there temporarily where we still maintain our homes back in Arkansas and have to pay the bills back there.

And then our per diem, which includes our meals and our lodging, pays for us to remain there at Langley Air Force Base. If a guard member decides to take leave to go home to see their family or just take a vacation to get away from the stress of the job for a week, two weeks or what not, that member then has to incur all

the costs to maintain that living arrangement there at Langley Air Force Base.

Dr. SNYDER. So you do not want to go scuba diving after all, you decide you are going to go back home and see the folks in Arkansas. So you take me with you as the active member and we are there for 30 days. So if I understand you right, during that time there, I am going to continue to get help with my lease payment but you are not; is that correct?

Sergeant NEEDHAM. Correct, sir.

Dr. SNYDER. And so we have comparable per diem payments until we went on leave?

Sergeant NEEDHAM. The active member does not receive the per diem since they are not on a temporary duty status.

Dr. SNYDER. Since they are not on temporary duty. So they have a different—

Sergeant NEEDHAM. Right. They are under a different pay scale, sir.

Dr. SNYDER. Different pay schedule. So the issue then is you have the household back home, you have this household which they are calling temporary duty but it may go on for a year or two the way it is going for you, and then when you take your leave time, your vacation time, there is a fairly vigorous financial penalty for deciding to take leave time. You cannot get out of your lease for 30 days while you take your leave, I guess is the bottom line. Is that correct?

Sergeant NEEDHAM. Yes, sir.

Dr. SNYDER. Okay. The other issue that you brought up and you referred to it as I think you said connectivity so you can do your work at the home station. I think that that is—I mean obviously, the technology has to be there.

I mean we can do—I do not think I would want it done on me, but we can do surgeries—a doctor in Des Moines, Iowa can work the controls and operate on somebody in another country. I mean the technology is there and it has been done. What you are talking about you are an imagery analyst.

Sergeant NEEDHAM. Yes, sir.

Dr. SNYDER. And those kind of things can be moved, even classified stuff can be moved safely and thoroughly through fiber optic cables. And so what you are saying is rather than move the people why not just move the information in a technological fashion that you can then send it back there the next day. Does that summarize what you were trying to say?

Sergeant NEEDHAM. Yes, sir. We do it every day at Langley Air Force Base. We support combat troops in the field today.

Dr. SNYDER. So what you are saying is you have the technology to do it from Langley to wherever. We do not have the technology at a lot of our bases around the country to feed into Langley, I guess, or to the local base to overseas. Is that what you are suggesting?

Sergeant NEEDHAM. Yes, sir.

Dr. SNYDER. Yes. My understanding is that the solution is pretty easy, it is just it is not necessarily cheap. Like in our particular situation in Little Rock Air Force Base, I think it would be a little over \$6 million to do that, but that may well be a very good invest-

ment in order to improve the efficiency for the men and women of service.

Do I have time for another question, Mr. Chairman? I wanted to ask Gunnery Sergeant Koehler—

Sergeant KOEHLER. Yes, sir.

Dr. SNYDER [continuing]. I think you presented one problem that there is not a good answer for, and maybe it is particularly, I do not know, irritating. I mean I know some of our airlines are really struggling and people are not flying as much right now, and I think we are going to vote out a fairly hefty financial help for them out of the House today, and I am sure they will end up ultimately with it.

But for somebody like you, I am talking now specifically about the business loss that you sustain when you are called up, I do not see that we have anything to offer you, or at least have not. Is that a fair statement? You have to eat the loss?

Sergeant KOEHLER. Basically, yes, sir. The states could waive the fees to reinstate my license as long as I go through the proper training.

Dr. SNYDER. But in terms of the—you know, I do not know what kind of money you were making off the realty at the end of things, but if it was \$40,000 a year, no one is stepping forward to say, "Well, gee, we are going to make up for that 40 grand. Here is half." No, that is not happening?

Sergeant KOEHLER. No, sir; that is not happening at all.

Dr. SNYDER. I had a couple of friends who have—I am a family physician—some doctors that were mobilized in the past in civil practice and what you described to me there, the personal relationships you have—

Sergeant KOEHLER. Yes, sir.

Dr. SNYDER [continuing]. Certainly apply to family doctors. I mean patients are wonderfully loyal. When you are gone for a year, they have to take care of business.

Sergeant KOEHLER. Yes, sir.

Dr. SNYDER. And when you come back they may have found someplace else to go with somebody who is going to be around, and we do not step forward for them.

Thank you, Mr. Chairman.

Mr. MCHUGH. I thank the distinguished ranking member.

The gentleman from North Carolina, Mr. Hayes.

Mr. HAYES. Thank you, Mr. Chairman.

Sergeant Stallings, if I may, we talked yesterday and in an ongoing fashion today about the seamlessness. If you would refresh some of the panel members—well, not refresh, but share some of our conversation with them about your concerns, issues filtering down from the top about things that we talked about.

I am talking about being in touch with families and things like that. And, again, because of your active duty and guard component, I think you are particularly well qualified to speak on that.

Sergeant STALLINGS. Yes, sir. We direct problems with our—I guess, our lower managerial skills, as far as our squadron and our unit, keep in contact with the members as well as the family throughout the deployment.

There are times when you are deployed you do not have communication to be able to be in touch with your family, whether you are in transit or even once you get there until you get the proper clearances to use the e-mail systems or things of that nature.

But there are channels to be able to communicate with the units back home, and just being able to pass the information along to the families, maybe even having a liaison specific from the unit that can be responsible for keeping contact with the families and with the members themselves.

There are family support programs available as far as the packets that are given to you pre-deployment. The availability of being able to use those is very slim. Members like myself live two and a half to three hours away. Unless you live locally it is very hard to be actively involved with family support programs.

Mr. HAYES. Tell us for just a minute, if you will, about the resources that are available and the difference between what family support things they offer active duty and guard deployed.

Sergeant STALLINGS. Again, with the guard, we receive pre-deployment packages. With active duty, they have an actual family support program, their family support site on base. Active duty members they live local to their bases. They are able to actively participate in those programs. There is always someone there for them if they need that.

That is not always the case with guard and reserve members, and it is very unfortunate. Even members that I have spoken with that live in the local area were not able to receive what they really needed through the family support programs.

Active duty, again, they have an office set up right up on base, they can go there, everything they need is right there at their fingertips for families, spouses, children. Everything is available for them.

With guard and reserve, you have a pamphlet passed out to you, and you are pretty much on your own from there, unfortunately. If there is no further contact kept up with the family, it is left up to them to search out the answers that they are going to need.

Mr. HAYES. Let me ask you one more question, because someone in the press always asks us, is there anything else you would like to add?

Sergeant STALLINGS. I am very fortunate, again, as I said in my opening comments, that my wife is prior military, active duty and guard as well. She is very strong, she is very knowledgeable in the system in where she needs to go, what she needs to do if she has problems and who to contact. If she does not know who to contact, she will find someone to contact.

We have a lot of other spouses who are not as educated in that area, and if they do not know who to contact, they are pretty much out there on their own. And, again, that is added stress to the military member. If you have added stress, you are going to have more problems from there as well. Thank you.

Mr. HAYES. Thank you, Mr. Chairman.

In closing, thank you, Staff Sergeant Stallings and all of you that have come today. And I think it is important to make a point. Mr. Chairman, you have worked very hard to help solve some of these

problems, and some of the folks have asked me, in the press particularly, well, what kind of legislation are you going to pass?

We are more than passing legislation, we have to have a real direct and constant contact with your commanding officers, and we can help them understand the necessities to deal with directly and immediately some of these issues.

So we do not want anyone in the audience, regardless of what your connection is, to think that it takes way more legislation for things to happen. So thanks for making things happen, Mr. Chairman.

Mr. MCHUGH. Well, I thank the gentleman for his leadership and great demonstration of concern and his participation, including his lovely wife on our trip recently.

With that, the vice chairman of the subcommittee, the gentleman from Oklahoma, Mr. Cole.

Mr. COLE. Thank you very much, Mr. Chairman. First, let me tell you I am just in awe of all of you in your collective service to your country and your sense of dedication. Thank you very, very much. It is quite inspiring to hear your testimony, quite frankly.

Second, if I may, Sergeant Davis is probably the smartest politician because he was the guy that introduced his spouse first, so any of the rest of you that have—and I noticed Sergeant Beaver picked up on it and followed right away—any of the rest of you that would like to introduce members of your family that are here, we recognize very much this is a family responsibility, and there are a lot of people in addition to yourselves that serve us indirectly.

So if you would like to point out any spouses or other family members that are here, I am sure we would be delighted to meet them and appreciate them.

Officer LEHMAN. Thank you.

Mr. COLE. Petty Officer.

Officer LEHMAN. Sir, I have here today with me my wife, Michelle, married to her for nine years, sitting right over there. Could not have done it without her.

Sergeant KOEHLER. Sir, my husband is with my daughter today, and I have my mother and my grandmother with me.

Mr. COLE. Thank you very much.

Sergeant NEEDHAM. I would like to thank my wife. She was not able to be here today with me, but for her support and encouragement within my military career. And I would like to thank—

Mr. COLE. We will send her the testimony. [Laughter.]

Sergeant NEEDHAM. I would also like to thank my mother for being here today.

Mr. COLE. You bet.

Sergeant STALLINGS. As I have mentioned, my wife, Sergeant Stallings who is seated behind me. I would like to thank her for being here today, the constant support that she gives me and our country.

Sergeant SMITH. I would like to thank my wife, Nira, she could not be here today. She had to stay home and watch the children, so I would like to thank her and my children for supporting me.

Mr. COLE. Again, thank you very much. And thank you, Mr. Chairman. I just thought that was an important thing to do.

If I may very quickly, because I used some of my time, let me start first, Sergeant Beaver, with you. You mentioned that one of your concerns, while you had a generally good experience, was you did not have all the equipment that you needed and as quickly as you needed it and certainly not enough time to train on it.

Was that specific—number one, do you see that in your experience as a problem with other reserve units or were we just simply short in the area that you focus on?

Sergeant BEAVER. Sir, we were short due to specific decision-making back under the bottom-up review of the mid-1990s when it was decided not to fully equip the two national guard special forces groups, and it came back to bite us.

To the Army's credit and special forces command's credit, they are trying to make good. I saw a lot of real hard work to get us the equipment we needed, and it is getting better. I have seen improvements. We are getting a lot of the radios and the weapons systems that we need, so I stand by to see that it is fully equipped.

Mr. COLE. Thank you very much for brining that to our attention. Is that true of any of the rest of you? Did you have equipment problems?

Obviously, Petty Officer Lehman, you mentioned some of the specific concerns you had.

Officer LEHMAN. Right. The equipment for the Naval Reserve is bad. I would like to go on record in saying that. However, we do make good with what we have, and that is the bright side of it. If there is anything that could be done about that, I would appreciate it. However, again, people are there because they want to be there and they make do with what they have. Thank you.

Mr. COLE. No, thank you. Any of the rest of you have any similar comments to add or observations?

Let me ask this, too, quickly: A number of you mentioned how quickly you were called upon, and we know that the norm is supposed to be 30 days. We also recognize we had a national emergency and that did not happen in a lot of cases. But I am just curious on a case-by-case basis how much notification you had before you were called.

Can I just start and work over with you, Sergeant Beaver, just move through the group?

Sergeant BEAVER. We heard in October about the activation, and we activated in January.

Mr. COLE. Okay. Thank you.

Sergeant Davis.

Sergeant DAVIS. I left 12 hours later, sir.

Mr. COLE. That is what I thought.

Petty Officer Lehman.

Officer LEHMAN. I had a week; however, I was notified at 6 a.m., told to come in, that I was going that day, but fortunately I was sent home and told to—I had a week, basically, to get everything ready.

Mr. COLE. Gunny Koehler.

Sergeant KOEHLER. Notified the day the presidential executive order was signed on the 14th of September and reported in on the 20th, so about six days, sir.

Mr. COLE. Thank you.

Master Sergeant Needham.

Sergeant NEEDHAM. Well, sir, our squadron was sent out in three groups, and I went with the third group, so I kind of—working full-time I kind of knew what was going on. So I had a little bit of time to prepare.

Mr. COLE. How about some of your other fellows that—let's say that first group?

Sergeant NEEDHAM. That first group had no more than 48 hours notice.

Mr. COLE. Thank you very much.

Sergeant Stallings.

Sergeant STALLINGS. Yes, sir. We were given about two weeks notice. Fortunately, about a week prior to departure they bumped that back 30 days, so we had an additional time frame.

Mr. COLE. And Master Sergeant Smith.

Sergeant SMITH. Yes, sir. I was notified on the 19th about 11, report 6 o'clock a.m. the next morning, and I was in Hickam by 2 o'clock that day.

Mr. COLE. Just one last question so I do not use up my time, I know there are others here, Mr. Chairman. Do any of you—we heard a number of suggestions just in general on things like the per diem, which is extremely helpful. Thank you very much for pursuing that line of questioning. But do any of you have specific things that we can do legislatively, monetarily?

It might be things like one of the things we talk about sometimes on this particular subcommittee are commissary privileges year-round, those type of things that would make a difference in retention and in making life a little bit more livable under obviously what are sometimes very challenging situations.

Any of you care, we will start again with you, Sergeant Beaver.

Sergeant BEAVER. Well, sir, as I mentioned before, I believe that airborne military free fall, hazardous duty type pays that are paid for risk incurred not rank should not be prorated for drill. We have to maintain all the same qualifications, as I said before.

Second, the servicemen's group life insurance, I was kind of disturbed recently to see it listed in a newspaper article as a benefit, and I stopped using it several years ago because there are private companies that offer more insurance for less money. It also covers my family. And I just do not think that is really sufficient.

As a police officer, there are federal benefits if I am killed in the line of duty that amount to over \$100,000 in payment to a police officer killed in the line of duty. And a soldier who is killed in the line of duty I believe it is going to go up from what I have seen recently to about \$12,000. I believe there are improvements that can be made in those type of benefits.

Mr. COLE. Any ideas, Sergeant?

Sergeant DAVIS. Yes, sir. In reference to the TRICARE issues that we had in our tri-state area—our four-state area, our command is located in Kansas, we are located in Iowa, and we have members in our unit that are located in Nebraska, South Dakota, Minnesota, Missouri and Illinois.

If we could have something centrally located there to assist our family members in knowing what they can do and what their options are with the TRICARE, that would benefit us tremendously.

Mr. COLE. Okay. Thank you. Any others have any further suggestions?

Thank you very much, Mr. Chairman. I yield back my time.

Mr. MCHUGH. Thank the gentleman, vice chair.

The delegate, gentlelady from Guam, Ms. Bordallo.

Ms. BORDALLO. Thank you very much, Mr. Chairman, and I am certainly impressed with the family support that our guardsmen have with them today, including their wives and their mothers and their grandmas. I think that is wonderful.

I represent Guam in the U.S. Congress, and we have some very, very fine reservist units and guardsmen on my island. And I noticed when all of you were speaking there, I think at least two or three of you alluded to this, you mentioned the members of the active service and how they view national guardsmen and reservists.

Are these negative feelings, are these adverse feelings are they improving or is it still there to some extent? In other words, do they view you less than themselves? I mean I think this is what I am trying to ask? We can start with—

Sergeant BEAVER. Well, that is of course very touchy. What I believe has to happen oft times is we have to prove ourselves, and perhaps what may cause it is a feeling of ignorance, really, of not knowing chain of events. Soldiers get off active duty after a number of years of service in my unit. They come to our unit and then they work in a different field, perhaps, for a number of years.

They get a little bit older, a little more experienced, and now they are back doing what they did before. And what is happening is you have gained a level of maturity and experience and bring those things to the table, and so we are constantly trying to educate and help the active duty guys understand who we are. It is not really pervasive at a lot of levels, but once we get there and they see what we can do, they want to have us there, and we contributed greatly.

But there is a perception because of the weekend warriors going back decades. But I think it takes time, and the men I am associated with are professionals, they understand that. It is just a matter of educating the active duty guys and letting them see what we can do when we get there.

Ms. BORDALLO. Would you say then that the relations are improving?

Sergeant BEAVER. Yes, yes. And I did not say they are so bad that we cannot operate or anything like that. I would say they are improving as evidenced by some of the funding that has come along. We need money for construction at our unit, for instance. And that is what we are looking for. We are looking for them to see what we can do and what we have done in Enduring Freedom and say you know what, this is a force of people where we want our active duty guys to go to.

We want to keep them around, because guys are going to get off active duty. They might get off active duty for a few years and then go back to active duty.

We want to keep them in the system, so we want to have a place for them to go in the national guard, and we want to have a place for them to go that they want to be, a nice facility with good train-

ing and good leadership and so funding for construction would be helpful for us. It is sort of a total package, a circular pattern.

Ms. BORDALLO. Well, that is good to hear because I feel morale has a lot to do with it. How about any of the others that—a couple of you mentioned it. Would anyone like to comment?

Sergeant DAVIS. I will, ma'am. In my experience, we deployed and we integrated with the Department of Defense forces, and I think the initial feeling was, "Wow, what are these guys doing here?"

But by the end of our deployment it was more of a surprise factor for them, "Wow, these guys really know what they are doing," and they appreciated us much, much more. So I think this deployment had done wonderful things for us in that relationship between the reserves and—

Ms. BORDALLO. Because I really think that the members of Congress here would want to know if there was any problems, such as this, we have to straighten it out. Any others that feel that they would like to speak on this?

Officer LEHMAN. I would like to echo Sergeant Davis' sentiment. Our problem was with the Department of Defense police officers, not the active duty. However, I did hear of animosities between active duty and reservists, of course. However, in my opinion, that starts in your command, the command staff, the supervisors. It comes down from there. Personally, our commanding officer (CO), our captain of our base, would not have that. So it is people like that where most of that comes from.

Ms. BORDALLO. Thank you.

Sergeant KOEHLER. Yes, ma'am. I would like to comment just because I do not want anyone to think I intentionally left this out of my opening statement. And this would apply to both times I have been mobilized and many tours of active duty special work. The integration of reserves into the active duty environment, in my opinion, was not a concern prior to mobilization, and it has not been an issue since, which is why I did not mention it.

At Headquarters Marine Corps, specifically, I think they welcome our varied educations, varied backgrounds and various input from our civilian employment and civilian experiences, and so far it has not been an issue.

Ms. BORDALLO. Good.

Sergeant NEEDHAM. Yes, ma'am. Initially, we had a little bit of the animosity, especially with our career field being so specialized. A lot of the active duty folks did not believe that we were equally as qualified. Quickly they learned. Like Sergeant Beaver said, we had to prove ourselves and once we proved ourselves, they realized that we were their equals and sometimes their superiors.

Ms. BORDALLO. Good.

Sergeant STALLINGS. Yes, ma'am. My comments would mirror Sergeant Beaver and Sergeant Needham as well. Initially, there was some negativity but in the end they realized that we were very capable of doing what we were there to do, and we are definitely their equals and, again, as Sergeant Needham said, at times their superiors.

Ms. BORDALLO. Sergeant.

Sergeant SMITH. I must have been fortunate because the locations I was at they all seemed to welcome us.

Ms. BORDALLO. Well, good. I am glad that these feelings are improving and we are working together.

Thank you very much, Mr. Chairman.

Mr. McHUGH. I thank the gentlelady. Gentleman from Virginia, Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman. First of all, let me thank you again for what you do. What we need to realize is the services may have enlisted you but they are re-enlisting the people behind you, the wives, husbands, mothers and grandmothers, and I think that is something we need to keep in mind because the impact is not only on you, it is on your families as well.

Let me urge you all to do something. When I was in the Navy if I had talked to my congressman, that was it, I would not go anywhere. I encourage that now. I think you need to talk to your congressman, no matter where you live.

You need to make them understand the problems you are having. That is because, as I tell my constituents, whether it may be uniformed or not, if there is a problem and I do not know about it, I cannot fix it. But if I do, I can and I will, and we have had very good luck doing that. So I urge you all to do that. I think that is very important.

And Petty Officer Lehman, you are absolutely right, it is a mess. Your head guy, the three-star admiral, told me that today, and I can assure you I need to do something about it, as do all of us, and I probably need to talk to his counterparts in other services as well, because I do not think the Navy is the only one having these problems.

Master Sergeant Needham, let me follow-up a little bit on what Dr. Snyder said. First of all, do you live on Langley or do you live in Hampton?

Sergeant NEEDHAM. I live in Williamsburg, sir.

Mr. SCHROCK. You live in Williamsburg.

Sergeant NEEDHAM. Yes, sir.

Mr. SCHROCK. Oh, my Lord. Okay. That is pretty nice up there, isn't it?

Sergeant NEEDHAM. It is very nice.

Mr. SCHROCK. Yes, it is nice. Help me understand the \$69,000 investment some of these people made in per diem. I kind of lost that, I need to understand that.

Sergeant NEEDHAM. Well, sir, when a guard member who is on temporary duty takes leave and say they go back home to Arkansas and they go home for a week, if it is during the summer months, we receive \$100 a day for lodging and \$42 a day for meals and incidentals.

Those funds stop when we go on leave. Yet we still have to maintain the apartment or the hotel room where we live while we are assigned to Langley. So that member has to incur that cost out of their own pocket.

Mr. SCHROCK. Has to eat that cost.

Sergeant NEEDHAM. Yes, sir.

Mr. SCHROCK. Okay. Personal thing, do you know, is there a Lieutenant Colonel Durham who is a police officer from Texas who

is been at Langley for about 17 months and is going on another year?

Sergeant NEEDHAM. I do not know him, sir.

Mr. SCHROCK. I am trying to find that guy, because I was so impressed with him when I was at Langley. I represent Langley, and I was so impressed with him. He is a police officer. In fact, he is the police chief of his home town in Texas, and he would have been at Langley—I was there as he finished his 17th month. He would have been extended for another year, was able to go home for his daughter's high school graduation and in a couple of weeks will go home for his son's graduation, and he had one week of vacation, and it has taken a big toll on him, I can assure you.

Gunny, let me—because I live in Virginia—

Sergeant KOEHLER. Yes, sir.

Mr. SCHROCK [continuing]. You mentioned a couple of things that I think we can help you with. Your license expired. Why did it expire?

Sergeant KOEHLER. Well, because I was not available to continue with the continuing education that is a requirement.

Mr. SCHROCK. Oh, I see. So they were not able to—the licensing board was not able to put that on hold because you were on active duty?

Sergeant KOEHLER. No, sir. Plus during that time I would have had to pay the dues and membership fees and that type of thing, which not knowing exactly what was going to happen and how long this was going to go on and the potential for mobilization or the unknown, I did not want to keep incurring the monthly expenses in keeping up with dues, subscriptions, that type of thing to put my license in referral.

Mr. SCHROCK. Okay. We need to fix that. After this is over, there is a house of delegates member who is becoming a very powerful house of delegates member, named Thelma Drake. She is a realtor from Norfolk. This is something that I think she would like to get her teeth into.

I think this is something the state should take care of, the federal government should not, but afterwards we will exchange cards and addresses, and we will start working on that, because I think that is only fair. You should not have to be penalized because you have been called back on active duty, and let me see if we can help you with that.

Help with me the bank loans. You talked about bank loans but did not go into detail on that.

Sergeant KOEHLER. Well, one particular bank that we were working with, it was not that they did not want to work with us. They were fully confident in my abilities to do the job as a chief executive officer (CEO). What, they were not sure of was what was going to happen if I was not there?

Who was going to take over the functions as the CEO, accounts receivable, accounts payable, day-to-day operations, policies, that type of thing. What they suggested was that we hire somebody part-time to fill that role as CEO.

And what we were struggling with was trying to find someone with adequate experience, education that was willing to take that job on a temporary basis with no true end in sight, that would ac-

tually come and work for a company for an undetermined period of time.

We were trying to figure out how we would compensate that person and what would be just, and how we would actually recruit a CEO for a very temporary period of time.

Mr. SCHROCK. So the bank was not questioning or challenging your ability to make payments, if that is what it was, they were just concerned if you went away, the whole place would come down and they are stuck with a bad loan, that is what they are concerned with.

Sergeant KOEHLER. Yes, sir.

Mr. SCHROCK. Let's work on that one too.

Sergeant KOEHLER. Okay, sir.

Mr. SCHROCK. Let me ask you all something. Help me understand the compatibility and the equipment of what you all use as reservists and guardsmen as compared with what the active duty people have. How does that compare and what are problems presented as a result of that?

I am sure there is a disparity there. Even though you may not have as good equipment as the active duty people, they are going to expect you to do the same tasks as the active duty people when they bring you back on active duty. I would be curious to know what your experience has been with that.

Let's start with Master Sergeant Beaver.

Sergeant BEAVER. Generally, sir, the equipment is the same. The problem is we just do not have it, regarding radios, sniper weapons systems. Vehicles, probably the biggest ticket item to look at, traditionally, our unit has not had vehicles. Consequently, when we hit Afghanistan, we had no Humvees, government motor vehicles (GMVs), to do our vehicular patrols in, so we rented pick-up trucks locally, mounted machine guns on them.

And I sent a couple of guys to Germany and they got a bunch of vehicles from the demo yard there that were getting ready to be, I guess, thrown out or whatever the Army does with old vehicles, and brought them back to Afghanistan. We spray painted them tan and cut some pieces off of them we did not need and turned them into desert vehicles. And as far as I know, they are still there working right now.

Mr. SCHROCK. But from a protection standpoint, the active duty guys were and you were not.

Sergeant BEAVER. From a protection—well, we were never not protected, but we did not have all the vehicles we needed to do the patrols right. My guys were chomping at the bit to get out there.

They would have gone in a Volkswagen or a dune buggy or whatever just to get out there and try to track down these guys and do what we had to do, but we did not have enough vehicles when we went over there. I do not fault the command at the time for sending us over there, because they could not keep us off the airplane to get there, but—

Mr. SCHROCK. But it is incumbent upon them to provide you with the equipment when you get there that you need so you do not have to scrounge it up yourself.

Sergeant BEAVER. Yes, sir.

Mr. SCHROCK. Okay. I did not mean to put words in your mouth, but——

Sergeant BEAVER. Yes, sir. And we just did what we had to do to get the job done, sir.

Sergeant DAVIS. I would like——

Mr. SCHROCK. Sergeant Davis.

Sergeant DAVIS. I am sorry. I would like to start by saying that I am part of a port security company, or detachment, excuse me. There are only three detachments in the entire Army Reserve. We do not have a sister unit in the active duty.

There are no port security companies, so our equipment as military police are the same as an active military policeman. We require a couple of different things for port security such as ride control dispensers and things of that nature, and we do have that.

We do encounter problems with radios. Because we work the entire eastern seaboard, we do not have our own radios, we have to borrow radios as we go along, which sometimes presents a problem. We end up taking care of it with what we have.

Mr. SCHROCK. From whom do you borrow them?

Sergeant DAVIS. Military Traffic Management Command (MTMC).

Mr. SCHROCK. Oh, MTMC.

Sergeant DAVIS. MTMC will send them. Sometimes they have to send them through the mail. They will get there early, they will get there late, but ultimately they do get there and we get them. But other than that, we do not have any problems with logistics.

Mr. SCHROCK. Great.

Mr. Lehman, I am sure you could be all here today, and I know how——

Officer LEHMAN. I think our biggest problem is, I would say, clothing. We have the same roles as active duty personnel at our reserve units and reserve stations. However, if I need a change of uniform, I do not have the accessibility as the active duty people have in obtaining uniforms.

If I lose weight, I have to wait my term or wait my time limit until I can get a new uniform, whereas active duty personnel they could go to an exchange or a place on base and buy them and be reimbursed.

Mr. SCHROCK. Why can't you do that?

Officer LEHMAN. Well, I lost 30 pounds when I was on active duty.

Mr. SCHROCK. Good for you.

Officer LEHMAN. I went from a 42 waist, which is being help up right now by pins, and I cannot get unless I drive to maybe Willow Grove or something and get a pair of pants. So I think those are important issues.

Communications has been brought up. I have seen radios being used in the military service that we stopped using as police officers 15 years ago. I think that needs to be addressed. Other than that, equipment has been a problem and I think it will continue to be a problem unless someone makes a serious effort to just change it once and for all.

Mr. SCHROCK. Yes, I know it is, and we are going to address some of that.

Gunny.

Sergeant KOEHLER. On the uniform issue, I do not have——

Mr. SCHROCK. Do not tell me you lost 30 pounds.

Sergeant KOEHLER. No, sir. Actually, this is the outfit that I was issued 14 years ago. [Laughter.]

Mr. SCHROCK. Oh, geez. That hurts.

Sergeant KOEHLER. The issue is not necessarily outgrowing it or under-growing it, it is a matter of wearing it out. The Marine Corps is in a unique position right now. We have a brand new camouflage uniform, a digital pattern, and the availability of that is not so great in the Continental United States (CONUS) bases and stations, but it is nice to know that most of the men and women that are going overseas are getting new uniforms, the replacement uniforms, that do not have holes and tears and whatnot. Other than that, I do not really have equipment issues because I work in an office now.

I would like to see possibly something with reservists first on the enlisted side, individual mobilization augmentees, making it easier for them to get security clearances prior to a mobilization. That was the biggest hurdle, I think, that we have seen other than a classified environment behind closed door, and that was probably the biggest obstacle.

Mr. SCHROCK. You do not carry a classified secret, top secret, TSC, you do not carry that all the time?

Sergeant KOEHLER. No, sir. On the enlisted side, as a reservist, your clearance will expire, and on the enlisted side you are not really—they do not consider you eligible to actually apply for one unless you are already working in an environment where you need one. So it is on an as-needed basis.

Mr. SCHROCK. Is it that way with all the services?

Sergeant KOEHLER. No, it is not.

Sergeant BEAVER. Sir, we maintain our classified billets on a five-year basis.

Mr. SCHROCK. Five-year basis. But it is not for the Marine Corps.

Sergeant KOEHLER. No, sir. Well, I would not say the Marine Corps-wide, I can only speak for myself.

Mr. SCHROCK. Okay.

Sergeant KOEHLER. Prior to mobilization, I worked in a more confidential environment with sensitive information, but upon mobilization that information now becomes classified.

Mr. SCHROCK. Okay. I think I saw some Office of Legislative Affairs (OLA) people here from the Marine Corps, I think. Oh, yes. We need to find out what that is all about, yes. Thanks.

Master Sergeant Needham.

Sergeant NEEDHAM. Well, sir, like I told Dr. Snyder and the committee, we do lack some of the equipment that our active duty counterparts have, which would allow us to do our job from our home duty location. The equipment that we do currently have is good equipment and allows us to train and prepare ourselves to do the job.

It is outdated but it is adequate equipment. But additional newer systems and a wider variety of connectivity would definitely improve our ability to do our job.

Mr. SCHROCK. But it does allow you to work with the active forces. It has to be seamless then.

Sergeant NEEDHAM. Yes, sir.

Mr. SCHROCK. Okay. Thanks.

Sergeant Stallings.

Sergeant STALLINGS. Yes, sir. We have been fortunate this past year to really update a lot our equipment. We are not having any problems as of right now. Until this recent year, everything has been still hard copy paperwork. We have updated much of our computer systems and programs so that we can integrate with the active duty better when we are deployed unlike last year when we deployed they were using programs that we had never seen before. And thanks to them, during that deployment they helped us get up to speed in that area.

As far as uniform issues and things of that nature, we at this time do not have any problems there, but it is a serious issue that if you do not have the proper uniforms and you are deployed to work with people that you are supposed to be on the same level as and you show up with holes in your uniforms—

Mr. SCHROCK. It sets you apart.

Sergeant STALLINGS [continuing]. First appearances mean a lot, and they look at you that way.

Mr. SCHROCK. I guess Sergeant Stallings agrees with that? Good. Master Sergeant Smith.

Sergeant SMITH. Sir, seeing that we are a flying unit we take all the equipment we need when we deploy forward, and usually the host basis will provide vehicles and such like that.

Mr. SCHROCK. Good shape. Great.

Sergeant SMITH. We really do not have any equipment issues, sir.

Mr. SCHROCK. Great. Thank you all. I sure appreciate what you do.

Thank you, Mr. Chairman.

Mr. McHUGH. I thank the gentleman.

The gentleman from Georgia, Dr. Gingrey.

Dr. GINGREY. Mr. Chairman, I would like to make a couple of observations, and then I am going to ask each one of you a fairly straightforward question. Observation: I am very jealous of you and proud of you in that you are soldiers and sailors and Marines and airmen, and only 25 percent of the Members of Congress can say that. I am not one of those, and I think that it is fantastic what each and every one of you are doing for this country.

And I want to commend my chairman, Mr. McHugh, and what he is doing with this Total Force Subcommittee and bringing to everybody's attention, particularly DOD, the problems that he has uncovered in regard to the reserve and the national guard, things like insufficient notification, the length of deployment and abuse of that.

In fact, I think someone suggested that maybe people who are in the reserves or the guard on an employment application might tend to falsify their resume for fear that they get blacklisted by a potential employer who has heard about these situations where employees are deployed for long periods of time. And housing allowance

discrepancies, and TRICARE availability or lack of and lack of appreciation, indeed, from the active duty forces, all of these things.

And I sincerely believe that Chairman McHugh is going to solve these problems. And assuming that he and the committee and the Members of Congress are able to do that, all of these problems, here is the question, and you can answer it as an individual or as your perception of what the typical member of the reserves or guard would answer or both. If you spent your entire time in the guard or in the reserve and never got deployed, would you consider yourself lucky or unlucky? And let's start at the end there.

Sergeant BEAVER. I think I can speak for the men in my unit. We would consider ourselves unlucky. A few people in a recent conversation said, "What do you mean you have to go to Afghanistan?" And I said, "Well, that is what we are here to do." To be left stateside like some of our sister units have, they feel left out of the fight as special forces soldiers.

The perception is generally "break glass in case of war." If you need me, send me, let me do my job but do not waste my time. Special operations soldiers take years to develop, and when a guy gets out who is a sniper and a ranger and a high altitude, low opening (HALO) jump master, he is an asset that is just really difficult to replace. A guy cannot just raise his hand and sign up to be one and instantly I have one. So that is my answer.

Sergeant DAVIS. That is somewhat of a trick question, and I do not feel comfortable speaking for everyone in my unit, but I will speak for myself. And I would consider myself unlucky if I did not get deployed at least once. It is something that I have trained to do all my life, it is something that I pride myself on, it is something that I love. And to actually be able to put that experience to work is something that I can take with me for the rest of my life.

Officer LEHMAN. Definitely unlucky. Everyone is on the reserve or guard for one reason, is to be utilized in the instance they are needed in an active duty capacity, and I cannot express it any more than that.

Sergeant KOEHLER. I would definitely feel unlucky. My husband, on the other hand, would probably consider it very fortunate if I never got mobilized again. And my mother and grandmother would definitely consider it fortunate if I was not going to go overseas again. But I would consider it unfortunate that I was not able to be utilized in a capacity in which I was trained.

And a lot of tax money and a lot of time and energy and effort goes into training not only me but all our reservists and guard members, and it would be unfortunate if we were never utilized, although I would have liked to say that this whole mobilization was for nothing, that there was not a need to go to war, that there was not a need for all of us, but unfortunately the world that we live in today there is a need, and I would definitely consider myself unfortunate if I was never called up.

Sergeant NEEDHAM. Well, sir, I believe overall we would consider ourselves unlucky to perform the duties that we have trained so hard to do and become experts at. I think with technology that gives us a unique ability for my career field to do that from a home station, from a non-forward deployed location.

So as leaving home, some may view it as lucky that we would not leave home and be able to do this job from home, but we definitely want to do that job that we have been trained to do.

Sergeant STALLINGS. I would concur, sir. I would feel unlucky if I was not able to deploy and actually put the training that I have into action. No, it is not that I would like to be constantly deployed and away from my family, but I did join the guard for a reason. I joined the guard to serve my country, and that is what I want to do.

Sergeant SMITH. Sir, I would feel very unlucky. I trained—everybody trains to do a job and not to get mobilized would be, in my opinion, a tragedy. Utilize what you have to augment the active duty when we need it.

Dr. GINGREY. Thank you. And we are indeed very proud of you. Thank you very much.

Mr. McHUGH. I thank the gentleman. And as you—everyone in the room just heard we have just been called for a vote, so I guess the timing is somewhat propitious. Two hours may not qualify you for hazardous duty pay, although I suppose it should. [Laughter.]

I was thrilled to hear you talk about your attitude in response to Dr. Gingrey's question to feel lucky. What we want to make sure is you do not feel too lucky in terms of deployments. Our interest is to try to do everything we can to smooth out the rough edges where the seamless force may not be as seamless as it should be.

We have heard some of these comments today about TRICARE, and Dr. Gingrey read a very extensive list of things that we certainly need to address, and we are going to promise you we are going to try to do that if for no other reason to at least in some small way acknowledge the tremendous service that you and your families and your fellow guardsmen and women and reservists provide as well.

Dr. Gingrey said he is in awe, and I think we all feel that way. God bless you for what you do. You are the reason this Congress is here, you are the reason this country's here, and we are honored to have had the opportunity to share the last two hours with you. So God speed in the future, and thank you for your service here today as well.

And with that, I would adjourn the subcommittee.

[Whereupon, at 4:05 p.m., the subcommittee was adjourned.]

A P P E N D I X

APRIL 3, 2003

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

APRIL 3, 2003

Statement of

**Sergeant First Class Steven Davis
U.S. Army Reserve**

before the

**Subcommittee on Total Force
of the House Armed Services Committee**

April 3, 2003

Mr. Chairman, members of this distinguished subcommittee, thank you for the opportunity to be here today and for allowing me to be a participant in this panel.

My name is Sergeant First Class Steven Davis and I am a Military Policeman in the Army Reserve. I have been serving in the United States Army for 15 years, seven of which have been in the Army Reserve. I am assigned to the Military Police Port Security Detachment in Pocahontas, Iowa. I have been mobilized once since I have been in the Army Reserve. I was mobilized on September 23, 2001, for Operation Noble Eagle, and I served one year state side in North Carolina.

In my experience, with both the regular Army and the Army Reserve, I believe that the two are very much integrated. I had positive contacts with reserve soldiers when I was on active duty, and I have also had positive contact with the active Army since I have been a reserve soldier. Most recently during our deployment to Sunny Point, North Carolina, we were directly assigned to the 597th Transportation Group. From the moment we arrived, I felt as though we belonged

there. I remember during a welcome meeting, COL Heiter, the Commander of the 597th, made it very clear to everyone in the room that the members of my unit would be treated as any other soldier at Sunny Point. The Command emphasis set the tone for our one-year stay. Our forces integrated flawlessly with the existing Department of Defense forces, which is what we were trained to do. We were able to work together as a cohesive team, and everyone's moral was high.

As for the question, did the recent deployment change or affect the reservist's intention to continue to serve. I believe the deployment made our unit stronger and more willing. From month to month we go ask ourselves, are we really needed?? Why are we doing this? Then September 11th came and all of our questions were answered. YES, we were needed, and YES, we were important. On September 12, 2001, we had 24 soldiers, myself included, volunteer to go on a security mission to an unknown place. The 24 volunteers left for Beaumont, Texas on September 13th, 2001. Ten days later, on September 23rd, the remainder of our unit was mobilized and sent to North Carolina, where we spent our tour of duty. When our year was up, and we all got the

word that we were going home, we were told the New York unit was going to take our place, but that they did not have enough people. Twenty-two soldiers from my unit volunteered to stay with them, not for 3 or 6 months, but for another year. Some of the soldiers were married and some were college students. Why did they stay when they did not have to? If I had to guess, I would say it was because they knew they had a job to do, and they weren't going to leave until it was finished.

The one problem that we encountered during our deployment was medical benefits. The Army did a great job of providing the coverage, and teaching the soldiers how to use the coverage. However, our family members did not have the advantage of having a representative available to inform them. This created many headaches for the soldiers, who would try to trouble shoot the problems long distance. I believe a local representative, available for family members would have been very helpful and would have saved the soldiers a lot of time on the telephone.

Let me conclude by saying, I don't believe that anyone likes the idea that the world has changed! We don't look forward to being activated twice or three times, with little to no notice. I don't think anyone in his or her right mind does! But the question is would we serve if were called again, and I know without a doubt, the answer would be yes. We all know that as Army Reserve soldiers, that our families and civilian employers pay a price because of our absence. My wife is very loving and understanding. She supports me and what I believe in. I will thank her now for that (introduce wife). I know that she feels the same patriotism and loyalty to our great country as I do. When I would call home and apologize for having to be gone so long, she would tell me, "I wish the whole world knew what kind of soldiers they had protecting us." That would motivate me to drive on and continue with my mission. I am a police officer in my civilian job. I work for the city of Webster City in Iowa. It is a town of about 8,000 people. We only have 15 officers in our department so when I am gone, it creates tremendous stress for my bosses. However, the

department has also been supportive throughout my entire mobilization. Let me give you an example. I got home from a one year mobilization in September of 2002. Just two weeks ago, I left for two weeks to attend leadership school that the Army requires for promotion. While I was in school I called my boss and asked him for four days off to go to Washington, so I could attend this very briefing. His response to me was, "We will take care of it somehow! Many people are facing this problem, so we will too. We'll get through it."

Again, thank you for allowing me to be a part of this panel and to tell my story.

Master Sergeant Gary Beaver ODA 2084, B-3/20th SFG(A)

Virginia Army National Guard

FT AP Hill, VA 22427

804-633-8113/8114

Operation Enduring Freedom

January 2002 – January 2003

Afghanistan Deployment Information

Draft

HASC Total Force Subcommittee Hearing

Draft

Thursday April 3, 2003 1:00 PM

Testimony of Master Sergeant Gary Beaver, Virginia Army National Guard

Mr. Chairman and distinguished members of the Committee, thank you for this opportunity to report to you my experiences in the Virginia Army National Guard. I am the Team Sergeant of ODA 2084. My unit was activated for Operation Enduring Freedom for a 1 year period beginning January 3, 2002. We were deployed to Afghanistan from May until October. While in Afghanistan, our unit conducted numerous types of combat operations. We set up firebases to keep the pressure on the Taliban and Al-Qaida. We inserted by helicopter onto a remote mountaintop for several days to watch for the enemy. We conducted vehicular patrols across the deserts and mountains of southern and central Afghanistan, keeping the pressure on the enemy forces. Our unit, Bravo Company, 3rd Battalion, 20th Special Forces Group, was responsible for the capture and detention of over 20 Taliban and Al-Qaida operatives and the capture of over 30 individual weapons and munitions caches. My team was comprised of soldiers who are police officers, an attorney, a small business owner, a firefighter/EMT, and college students.

My perspective is from that of relatively small unit activation (about 80 soldiers). Also, teams from our unit are accustomed to overseas deployment, so our soldiers generally know how to prepare without a lot of guidance. Finally, most of the men in our unit are experienced SF soldiers who already have conducted many overseas deployments while previously on active duty. My men were highly motivated to get on with fighting the war on terrorism.

However, our time on active duty was characterized by a lot of wasted opportunities. Our unit's intense work ethic was not matched by the bureaucracy which deployed us from Virginia or which received us at Fort Bragg. We were not equipped properly for the missions we would soon be tasked with. We were lacking in vehicles, weapons systems, and optics, GPS and communications systems. Although we did get some of the gear we needed before we deployed, we did not have much time to train with it. I suggest that in the future we be activated for shorter, mission specific tours of duty rather than 1 and 2 year blocks of time. We should also deploy from our home station, as we are used to doing, and like the active duty units do. The key is to have a plan on what we will be doing before we are activated, so that we are not viewed as 'augmentees' stuck in support roles instead of active operations and training. Tasks such as training new Green Berets and performing burial details, although important, should not rely on National Guard activation to occur.

The soldiers on my team had different situations regarding pay and employers. The pay they continued to receive from their civilian employer ranged from full pay for a few, to nothing for the college students and small business owners. My employer, the Fairfax County Police Department, has had 11 activated police officers for Enduring Freedom and Noble Eagle. Fairfax County supports its activated reservists by supplementing their pay when they make less in the military.

I will continue to serve in our unit, even if we get called up again. For one thing there is a stop-loss on Special Forces soldiers right now. However, you must realize that more than a dozen soldiers were so unhappy with the way we were mismanaged that they

are determined to leave the unit or retire. We need these soldiers to stay viable and robust. 2 of the 7 Special Forces Groups are National Guard. National Guard SF teams conducted many of the combat missions which resulted in a relatively stable Afghanistan.

National Guard soldiers, who are highly specialized in their training and skills, generally come from a wide geographic area. Those who travel more than 50 miles to drill should receive travel pay. Hazardous duty pays should not be prorated. I never understood why our unit members get \$20 jump pay for a weekend drill, when active duty soldiers get \$150 a month. The risks are the same, we should get the same pay. Generally, all hazardous duty and special duty pays should be the same, not prorated for weekend drill. Improvements in the Reserve retirement system are due as well.

Finally, I found that my wife and 2 children endured my year long deployment without major trauma. We are fortunate to live near a major installation which has a commissary and a TRICARE office. Nothing can replace the year I spent away from them, but they said they are proud of me, and I am sure proud of them. I know other soldiers whose spouses had children or medical problems which added stress to the deployment.

I and the men of ODA 2084 stand ready for our next mission. I'll be glad to answer any of your questions.

Master Sergeant Gary Beaver, Virginia Army National Guard

I am the Team Sergeant of Operational Detachment Alpha, or ODA 2084. My detachment belongs to Company B, 3rd Battalion, 20th Special Forces Group (Airborne). Our drill location and armory are at Fort A.P. Hill, Virginia. I have been serving there on reserve component National Guard Special Forces Detachments since 1989. I am 38 years old, work as a Police Officer in Fairfax County, VA, and have a wife and two children.

I would now like provide an overview of our mobilization for Operation Enduring Freedom.

In January, 2002, Company B was activated for one year under Operation Enduring Freedom Orders. While the Mobilization was technically not voluntary, I don't know of a man in the Company who wouldn't have gone if given the option. Company B eventually deployed to Afghanistan for five months with the 2nd BN, 3rd SFG(A) and performed admirably - executing multiple, diverse combat, combat support and staff augmentation missions from May-October 2002. Our teams ultimately were responsible for the capture of over 30 Taliban operators and associates, and the capture and/or destruction of numerous weapons and ammunition caches. Our mounted and dismounted patrols and Advance Operational Base (AOB) provided a Coalition Special Operations presence over thousands of square miles of Afghan terrain. We suffered only minor injuries and little equipment loss during our deployment. We have received nothing but praise from the 3rd SFG(A) for our performance and have numerous Bronze Stars and Joint Service Commendation medals to show for our efforts. On behalf of the Commander, Major Joseph A. Brecher and the men of Company B, I would like to thank you for the opportunity to serve this great nation.

I now would like to discuss some of the details, good and bad, regarding our mobilization.

We were informed of our mobilization orders in October 2001, and therefore planned for and executed two weeks of intensive pre-activation, combat readiness training at Ft AP Hill VA in November in order to prepare for our immediate deployment and use in a combat zone. After this training, the Company was highly motivated and eager for rapid employment after mobilization. Upon Mobilization and a few days of home station preparation in January 2002, we traveled to FT Bragg, NC and were assigned to 3rd SFG(A) for a coming contingency deployment. But prior to actually reporting to the 3rd Group, we were required to process through the conventional army, Mobilizing Unit Inprocessing Center or MUIC. Even though we had completed all of our training, records and equipment preparation during the pre-mobilization and Mobilization Site phase, we were required to re-certify at the MUIC. The MUIC is and remains a station all reservists must pass through. It is a necessary-evil for some ill-prepared units, but for us it was primarily a waste of time. The requirement to process through the overburdened

MUIC at FT Bragg insured that we spent the majority of January 2002 plodding through an archaic process. We were not allowed to jump, or conduct realistic team training while at the Mobilization Center, as it is set up for bare-bones weapons and equipment certification and qualification of conventional units – not Special Forces. As an example of delays in the process: our exit from the MUIC pipeline was held-up an additional week while waiting for Desert BDUs and Name-Tapes which were in short supply. Additionally, the MUIC's quarters were substandard for anything but a short stay, so that our eventual four-month stay at Fort Bragg required transfer into local hotels.

I would recommend that the system for activation and validation of National Guard Special Forces units be re-evaluated and streamlined to meet both the mobilized and gaining Special Forces unit's needs. The mobilized unit's momentum should not be slowed while soldiers wait to be "certified" by conventional Army personnel. Only the minimum inprocessing paperwork actually needs to be completed at the Mobilization Center, any necessary additional certification or validation should be done prior to mobilization, or post-mobilization by Special Forces commanders who better know our skills and requirements. The MUIC delay, and stagnation, was bit of a morale buster for Special Forces soldiers who were psychologically ready to deploy for combat immediately.

In February, we finally reported to the 1st BN, 3rd Special Forces Group. This Battalion was preparing for the aforementioned coming contingency and our combat role was becoming clearer, but when that contingency was cancelled, our Company was immediately assigned to "Red Cycle" support roles from February-April 2002. My team became the funeral detail. Others were assigned to train new Special Forces soldiers at the 'Q' Course. Still others were "farmed out" to various training and support details. I would say we were integrated into the 3rd SFG(A) with some degree of separation, and the then Group Commander was happy to keep us in a support role – i.e. "Red Cycle" tasks.

In defense of the 3rd SFG (A), we were an add-on to their organization at a time when they were deploying the Group Headquarters and multiple battalions to combat zones. Therefore any unfortunate oversight of our needs and requirements is understandable under the circumstances. It was however, difficult for members of the Company to understand why highly trained Special Forces soldiers had been called up only to serve in a support role. I view this January-March period as a golden opportunity lost. Instead of performing "Red-Cycle" support tasks, we could have been provided the additional equipment and vehicles we would soon need in Afghanistan. Additionally, we could have performed the additional pre-combat training and "validation" later required of us. But apparently, "Red-Cycle" support roles were more important during period. Also, during this period, the active duty battalion who we would eventually deploy to Afghanistan with, the 2nd BN 3rd SFG, trained and prepared for war. When we were eventually transferred in April, one month prior to overseas deployment, we had a lot of catching up to do. Because of this, the company was never really fully integrated and equipped for its role in the coming Afghan deployment. It was only due to the last minute efforts of Senior NCOs and Officers in the Company that we were prepared and

integrated at all. Our late assignment to the 2nd battalion and our inability to accomplish pre-deployment training WITH THEM affected how that battalion employed us in our initial Afghan role. The overall result was a pervasive feeling on the part of we Guardsmen of being second class citizens – this however did not hamper our overall performance, whether in the support or combat role. Upon our deployment with the 2nd BN and arrival in Afghanistan in May, we were again initially relegated to support and staff-augmentation roles. Again, the then Group Commander was not known to be “Guard-Friendly” and a pervasive rumor was that he did not trust Guardsmen in a combat role. However, his eventual replacement (COL. Celeski) understood our unique Unconventional Warfare capabilities (training, maturity, vocations, expertise) and readiness, and it was he who eventually enabled our expanded participation in combat missions.

By July 2002, the majority of our Company was finally given various combat missions and this resulted in our previously mentioned combat successes and numerous accomplishments during Operation Enduring Freedom. But this employment was late in coming, and we felt that; had the entire company been assigned to unconventional warfare tasks upon arrival in Afghanistan, (May rather than July 2002, or better yet upon activation in January) we would have had a greater effect on the overall campaign. My recommendation would be to ensure Special Forces Soldiers are properly employed upon mobilization and deployment. Given that Special Forces soldiers and teams are recruited, trained and retained primarily based on their ability to conduct unconventional warfare missions, use of those teams to augment large support and staff elements is a misuse of valuable assets and should be discouraged in all cases.

We re-deployed from Afghanistan in October 2002, and soon after began our recovery and demobilization process. We spent the following months conducting recovery operations, individual leave, a return (demobilization) trip through the MUIC and movement back to FT AP hill VA. We were demobilized on 2 January 2003.

I will now discuss some general issues regarding Army National Guard and Reserve Special Forces Service and mobilizations.

Prior to Company B's activation for Operation Enduring Freedom, the commitments required to be member of the company were significant – and remain so today. We are required to attend drill one weekend, sometimes Friday-Monday, each month, plus a period of Annual Training which is advertised as two weeks per year, but for National Guard Special Forces, is often double that. Our annual Training for the last few years has typically been 21 day trips to countries such as Honduras, Venezuela, Belize, El Salvador, Trinidad & Tobago, and Antigua for Joint Combined Exchange Training with the military forces of those countries. Or we may deploy for 2-3 week Joint Readiness Training Center (JRTC) Rotations or other exercises. Because my team is a “high altitude parachute” or Military Free Fall team, we also conduct a Military Free Fall train up which last from 10 to 15 days. We also have to attend Army and National Guard schools required for promotion, such as the Advanced NCO Course. Additionally, there are Special Forces specific schools we attend such as Operations & Intelligence, Advanced

Urban Combat, Sniper, and language courses. Often, we are required to prepare operations orders, training requests, and soldier evaluations at home on our own time and at our own expense. National Guard Special Forces Soldiers accomplish all of this in stride. All of this additional training and time away from family and career is accepted as the cost of wearing the Green Beret. I must say that, in general, our morale and willingness to leave all behind for the unit, and national contingencies remains high

However, there are some significant issues regarding the pay and compensation of National Guard and reserve Component SF Soldiers I would like to address:

The first is travel pay and lodging. Given that Special Forces National Guard soldiers are highly specialized in their training and skills, they generally come from a wide geographic area which is only generally in proximity to their drill location. Some members of my company travel hundred of miles for drill and it is not unknown for members to have to fly to Virginia for drill weekends. Despite this, there is no allowance for travel or lodging compensation of National Guard soldiers over drill weekends. This sacrifice would never be asked of the active component and should not be asked of reservists. For those members who travel in excess of 50 miles for weekend drill, some means of compensation should be considered.

Another significant issue over the years has been the prorating of hazard, language and other special duty pays, such as parachute pay, based on our weekend duty, rather than a full monthly amount. Given that neither the risk nor performance of these duties is lessened by our weekend service, the soldiers pay should not be prorated. For example: Jump pay is \$150 per month for active duty soldiers. A Guard Green Beret gets \$20 jump pay for a weekend drill. The risk and performance of this hazardous duty are the same, and the Guardsman should receive equal pay. In general, all hazardous duty and special duty pays should be the same, not prorated for weekend drill.

Finally, the Reserve retirement system in general has not kept pace with the frequency and danger associated with the Reserve and National Guard Operational Tempo. We now find ourselves shoulder to shoulder with our active duty counterparts on an annual or bi-annual basis – often in combat zones. Our antiquated system of compensation at retirement may make many reservists question their commitment to continued service, given the difficult years ahead. Collecting retirement prior to the age of 60 would greatly improve morale and retention. Maybe a program whereby the retirement age is reduced by one year for each year of Title-10 active duty service, or another similar incentive program should be considered.

In general, re-consideration of Reserve pay and retirement programs is warranted, given the current reliance on the Reserve Component and perceived inequities in compensation as compared to the Active Component. Half measures and gimmicks (reference recent Reserve health care improvements for short term activations – see the Army Times two weeks ago) will have little impact. Only true reform and real incentives will have a lasting effect.

Finally I would like to mention the effect of frequent mobilizations on family and career. While my position as a police officer was relatively unaffected by this mobilization, and my strong family unit sustained little damage, I can say that all unit members were not as

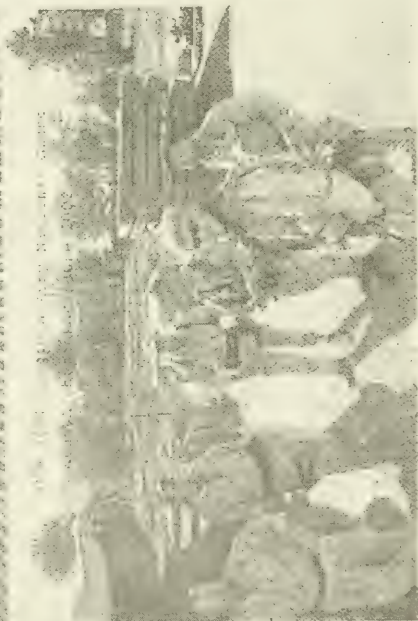
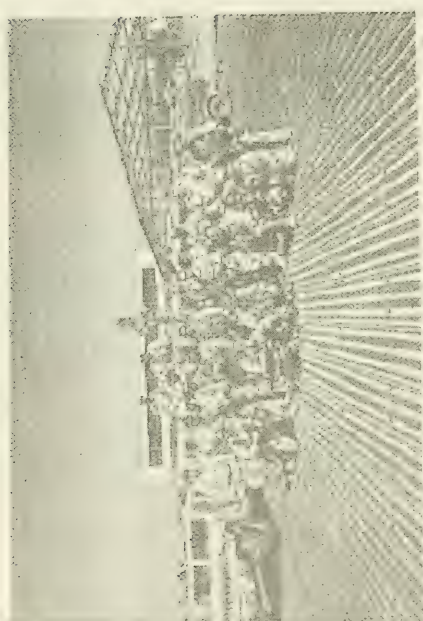
unaffected. Those who are in especially demanding professional positions or are independent businessmen automatically suffer during a year-long mobilization. A decrement in wages affected many in the company who left professional positions to become Special Forces Sergeants for a year. The impact on family goes without saying, and little things like transition from private insurance to TRICARE, and back again, become a major trauma for some families. While most of the Company is secure in their determination to endure future mobilizations, I know that we have already suffered, and will continue to suffer attrition from unit members whose career and family will not survive the probability of frequent, lengthy future mobilizations. This is why a renewed look at pay retirement compensation for reservist is so critical at this juncture.

In closing I would like reiterate the pride and feeling of accomplishment I, and my fellow National Guardsmen feel as members of the Special Forces Community who were successfully mobilized and deployed to Afghanistan for Operation Enduring Freedom. I want to emphasize that the problematic issues I have raised are not crises when measured individually, but when taken in sum, may contribute to a decline in the morale and retention of Reserve Component soldiers in general, and Special Forces National Guardsmen in particular. I and the majority of my fellow National Guard Green Berets remain well trained, motivated proud members of the Special Forces and National Guard communities. We appreciate your interest in our welfare and stand ready for the next combat mission.

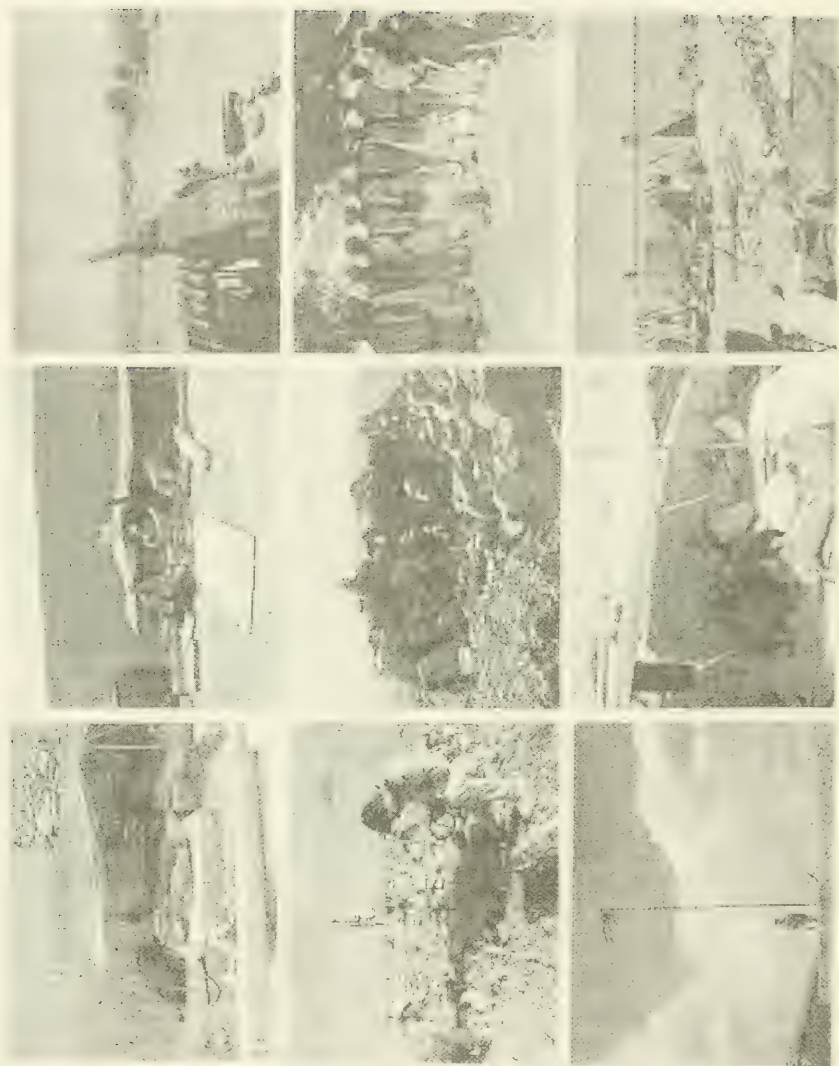




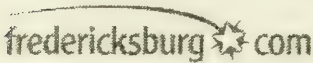











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Mission accomplished

November 21, 2002 1:10 am

By RUTH FINCH
The Free Lance-Star
Fort A. P. Hill welcomes back special forces

They captured more than 20 Taliban and al-Qaida operatives in Afghanistan, including two high-ranking officers. They rooted out 30 separate stores of weapons and destroyed more than 50 tons of munitions.

Now, all 75 members of the Army National Guard special forces unit at Fort A. P. Hill are back home safely after an 11-month tour of duty.

"I couldn't have been prouder," said Brig. Gen. David P. Burford, the deputy commander of Army Special Forces said of the job done by the members of Company B, 3rd Battalion, 20th Special Forces Group (Airborne).

The group arrived back in the United States last month. Burford, Gov. Mark Warner and other dignitaries officially welcomed them home yesterday at a reception at the National Guard Armory in Bowling Green.

The general told the soldiers to enjoy their time off, because they can't be certain how long it will last.

"There are still extremists that wish to bring terror to our shores," Burford said. "I can't promise you that we won't call again. But I can promise you that we know you're there and we know what you can do."

The unit, trained in guerilla fighting and other unconventional warfare, reported first to A. P. Hill and later to Fort Bragg, N.C., in early January. They arrived in Afghanistan in May and faced almost daily combat until another Army Special Forces unit relieved them in October.

"It was a profoundly dangerous place," a soldier from Falls Church named Adam said yesterday.

Like many of the others, Adam said he wanted to be identified by first name only to protect his family from any terrorists who might be lurking in the United States.

Soldiers said that although they were clearly better equipped than their enemies, they were constantly



Samantha Herring, 2, of Chesterfield County dances yesterday before the soldiers of Company B, 3rd Battalion, 20th Special Forces Group (Airborne) at Fort A. P. Hill. She welcomed home her father, Chief Warrent Officer James Herring.
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dodging bullets and land mines. There were daily firefights and several ambushes as the soldiers moved from village to village. Some members of the unit even crashed a helicopter in enemy territory.

And combat wasn't the only difficulty soldiers faced.

"Some of our fire bases were on the edge of the civilized world," Adam said. "Three guys on my team got typhoid fever. It was days turning to weeks turning to months of dealing with people smelling like they were dead."

Temperatures soared past 120 degrees some afternoons, and at night they dipped into the 50s and 60s. Road conditions were so bad that some groups could travel at top speeds of only 6 mph for 300-mile stretches up and down steep mountain slopes.

Fifty-gallon drums were cut in half to serve as makeshift toilets, and the smell of burning waste permeated the campground.

But soldiers said all those hardships were quickly forgotten every time they nabbed a terrorist leader or destroyed a cave full of munitions.

"That made us feel like we were doing something to contribute to the stabilization of Afghanistan," said another soldier, who identified himself as John from Baltimore.

Now that the soldiers are home, they are able to see their families on long weekends. But they must spend another couple of weeks on duty at Fort Bragg demobilizing and catching up on military paperwork.

"I'm glad I went," Adam said. "It was an honorable fight and the people we caught were responsible for harboring the terrorists."

"Would I go again tomorrow? Not unless I had to."

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